FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 28,977 | Wednesday January 19 1983 | D 8523 B

Why Europe needs a 'Marshall Plan' for industry, Page 15

NEWS SUMMARY

GENERAL

Bonn deal may bring peace in fish war

Emergency talks between EEC countries in Bonn raised hopes for peace in the bitter fisheries dispute between Denmark and its European partners.

West German Foreign Minister Hans Dietrich Genscher, current president of the EEC Council of Ministers, said the parties were convinced they had worked out new arrangements that could be approved by the Council of Ministers in Brussels next Tuesday. Page 16

Namibian crisis

Chief Minister Dirk Mudge's resignation brought the fall of Namibia's Government and South Africa resumed direct rule. Page 6

Diplomat Mitterrand

President François Mitterrand of France, visiting Gabon in central Africa, praised the state of Franco-Gabon relations, hours after President Omar Bongo threatened to expel French who meddled in Gabon's internal affairs. Page 2

Air chief jailed

Maj Gen Peter Kariuki, former commander of Kenya's air force, was jailed for four years for failing to prevent and suppress the August 1 uprising.

'Bridge blown up'

Angolan guerrillas said they had blown up a bridge on the British-owned railway connecting the port of Lobito with the mines of Zambia and Zaire.

Teachers suspended

Israeli authorities have suspended three British and an Irish teacher from a West Bank university until they promise not to support the PLO.

Ex-sergeant accused

Horst Mäneke, 42, signals specialist and former West German army sergeant, and his wife Renate were charged in Karlsruhe with spying for the Soviet Union.

Italian standstill

About 8m workers in Italy took part in a one-day strike, bringing most major industry to a standstill. Page 2

Coalition leads

Disarmament issues dominate the West German election campaign. Results of a poll published yesterday forecast 49 per cent votes for the Christian Democrat-led coalition, 41.1 for the Social Democrats, and 6.2 for the Greens.

'Afghans desert'

Hundreds of Afghan troops defected from the garrison town of Khost after killing several Soviet advisers and Afghan officers, said Western diplomatic sources.

Hijackers disappear

Three armed hijackers of a Thai jet released seven hostages and melted into the Thai countryside near the "Golden Triangle" drug-running country.

Briefly . . .

San Francisco: Agents braved gunfire to seize cocaine with a black market value of $750m.

More than 1,400 Mongols living in Yunnan, south-west China, have petitioned to be recognised as descendants of Genghis Khan.

Copenhagen: Two people were killed, eight hurt, when part of the roof of the parliamentary chapel fell in a storm.

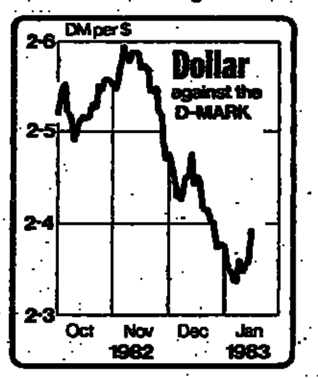
Barcelona: Three men were jailed for 10 years for kidnapping local Soccer star Quini in 1981.

BUSINESS

Gold breaks $500 in NY

● A LATE burst of buying in New York sent precious metals higher and took gold over $500 an ounce for the first time since April, 1981, to a close of $501.5. The rally was prompted by fresh concern over Iran. In London, the metal fell $8.5 to $486, in Frankfurt by $4.25 to $484.25, and in Zurich by $6 to $483.5. Page 27

● D-MARK lost ground as markets reacted nervously ahead of the March election. Funds were switched into dollars and the West German currency fell to 2.395 to the dollar (from 2.358) and to 3.7775 to the pound, from 3.7475. Its Bank of England trade-weighted index fell from 128.9 to 128.2. Page 34



● DOLLAR rose to FFr 6.785 (from FFr 6.6825), SwFr 1.964 (SwFr 1.9325) and Y231.9 (Y229.5). Its Bank of England trade-weighted index moved up from 117 to 118.3. Page 34

● STERLING lost 1.20 to $1.5765, but rose to FFr 10.6925 (from FFr 10.6125), SwFr 3.0975 (SwFr 3.0725), and Y365.75 (Y365). Its trade weighting rose from 81.9 to 82. Page 34

● GOLD fell $8.5 in London to $486, by $4.25 in Frankfurt to $484.25, and by $6 in Zurich to $483.5. Page 27

● LONDON: FT Industrial Ordinary index fell 5 points to 614.8. Government Securities showed losses averaging just over 1 per cent. Page 29

● WALL STREET: Dow Jones Index closed 5.16 down at 1,079.65. Page 28

● TOKYO: Nikkei Dow index fell 54.45 to 8,028.28. Stock Exchange index slipped 4.94 to 588.32. Page 28

● HONG KONG: Hang Seng index continued its recovery with a 15.42 gain to reach 889.91. Page 28

● AUSTRALIAN all-shares index put on 7.3 to close at 540.4. Page 28

● FRANKFURT: Commerzbank index dropped 8.9 to 739.2. Page 28

● UK INDUSTRIAL output was at a 16-year low in November, 19 per cent below spring 1979, the peak of an economic cycle. Page 16

● U.S. Export-Import Bank has cut interest rates for "middle income" countries from 12 per cent to 10.85 for two-to-five year loans, and for "poor" nations from 11 per cent to 10, to be more competitive with EEC and Japan.

● THREE U.S. banks reported enhanced earnings for 1982: Citicorp, 35 per cent up; Manufacturers' Hanover, 15.5; and Bankers' Trust, 19. Page 16

● GENERAL ELECTRIC of U.S. reported net income in 1982 about 10 per cent up at $1.8bn. Page 16

● STATOIL, Norway's state company, says negotiations for the sale of its gas are going more slowly than expected.

● MATSUSHITA Electric, Japan's leading maker of electrical goods, reported pre-tax profits for the year to November 20 only 0.8 per cent up at Y172bn ($749m). Page 20

● S. PEARSON and Son, parent group of the Financial Times and other publishing, banking, and industrial interests, is raising about £25m ($39.5m) through a loan stock issue. Page 22

Gromyko denies Rostow claim on Geneva missiles agreement

BY JAMES BUCHAN IN BONN

MR ANDREI GROMYKO, the Soviet Foreign Minister, said yesterday that no progress had been made in nuclear disarmament negotiations with the U.S. in Geneva, despite claims from U.S. officials involved in the talks that informal agreement on medium-range missiles was reached last summer.

Speaking at a press conference in Bonn after talks with Chancellor Helmut Kohl, Mr Gromyko placed the blame for this lack of progress on reducing strategic and intermediate-range missiles solely on the shoulders of the U.S. Administration.

Mr Gromyko firmly repeated the traditional Soviet claim that the West enjoys nuclear superiority in Europe – which Nato totally rejects – and dismissed as "unserious" President Reagan's "zero option," which is also backed by Chancellor Kohl.

Under the zero option, the alliance would forego deployment of 572 cruise and Pershing-2 missiles due to be sited in Western Europe from this autumn if the Soviet Union dismantles its entire land-based missile arsenal directed at Western Europe.

However, Mr Gromyko did confirm what had hitherto been only a hint: that the Soviet offer to reduce this arsenal to 162 missile systems implied not only the movement of some missiles out of range of European targets but also the "complete destruction" of others.

Nato holds that the Soviet Union has over 600 land-based, medium-range missile delivery systems, with as many as two thirds of them directed at Europe. The 162 systems that Moscow would retain correspond to Soviet claims for the British and French nuclear forces, which "must be taken into account," Mr Gromyko said.

In a speech on Monday night, the Soviet Foreign Minister also revealed for the first time in public that Moscow was "also ready to limit its tactical missiles of under 1,000-km range" on a basis of reciprocity.

This seems to refer to the systems known in the West as SS-12, Scud and Frog, now being replaced with SS-22, SS-23 and SS-21 respectively.

West German officials said yesterday that, despite tendentious or polemical public utterances, the Soviet side had shown itself ready for calm and real discussions behind closed doors, notably in talks with Herr Hans-Dietrich Genscher, the Foreign Minister, on Monday. For the first time in German experience, the Soviet delegation brought maps and documents to support its analysis of the Western threat.

The visit had displayed, according to one official, "a predominantly wooing character," at a time when public anxieties about the stationing of 96 cruise and 108 Pershing-2 missiles in Germany have become a powerful issue in the run-up to the March election.

Mr Gromyko's claim that no progress had been made either at the strategic (START) or intermediate-range (INF) talks in Geneva contrast sharply with statements on Sunday by Mr Eugene Rostow, the former U.S. arms-control administrator, that the U.S. and Soviet INF negotiators had actually produced a joint working paper, which was rejected in Moscow in September. The paper fell short of the U.S. zero option.

Mr Gromyko said these reports "correspond not at all to reality. There has been no progress because of the instructions of those at the head of U.S. policy." Mr Gromyko urged West Germany to "show its own face" and ignore "the dictates of another side" if they did not correspond to good Soviet-West German relations.

Thatcher pledge on missiles, Page 11

Thatcher cleared of Falklands blame by British inquiry

BY DAVID TONGE AND PETER RIDDELL IN LONDON

NO CRITICISM or blame should be attached to Mrs Margaret Thatcher's Conservative Government for the Argentine junta's decision to invade the Falkland Islands, a British committee of inquiry said yesterday in its report on the background to last summer's war between Britain and Argentina.

But the 106-page report by the Franks Committee, which was appointed by the Government, said that Britain had long been sending the wrong signals to Argentina, causing Buenos Aires to misjudge the strength of British commitment to the protection of the Falklands' 1,800 inhabitants.

It also found that neither the Foreign Office nor Britain's intelligence services had paid sufficient attention to the Falklands during the winter of 1981-82, despite a clear change of mood in Buenos Aires.

Mr Thatcher yesterday appeared to have emerged politically unscathed from her statement on the report in the House of Commons, where Conservative MPs argued that, if anything, it strengthened the Prime Minister's standing. The Franks report will be debated in the Commons for two days next week.

Mrs Thatcher gave no hint of how Britain's dispute with Argentina over the islands might be ended. She said that, at present, there was no option but "fortress Falklands," if "we are to continue to honour the wishes of the Falkland islanders, which remain paramount."

She said it would require a very different attitude from Argentina before Britain could be certain that Buenos Aires had renounced all claims to sovereignty and London could believe that the Argentines would not return to an unpredictable, attitude.

Former ministers with knowledge of the intelligence machinery later pointed to serious criticisms in the report of the Government and Whitehall. In particular, they pointed to:

● The absence of any collective discussion of the Falklands by ministers, notably on the defence and overseas policy committee of the Cabinet, from January 1981 onwards.

● Weaknesses in London's assessment of information publicly available in Argentina about attitudes and intentions there.

● The failure to follow up immediately and sufficiently the Prime Minister's note in early March last year about the need to make contingency plans.

Mr Michael Foot, the Labour Party leader, focused on these themes in arguing that the report demonstrated the collapse of effective Cabinet government in Britain.

One of the report's major recommendations is that two crucial aspects of the work of the Joint Intelligence Committee should be reviewed: its composition and the arrangements for giving it material other than from intelligence reports.

If accepted, this recommendation would be a further blow to the Foreign Office after its recent disputes with the Prime Minister's office over policy and the recent appointment of a personal foreign policy adviser to Mrs Thatcher. Last night some British diplomats were expressing concern at the criticisms of the Foreign Office sprinkled throughout the report.

The report also said that Lord Carrington, the British Foreign Secretary who resigned because of the invasion, gave the initiative to the

Continued on Page 16

Parliament, Page 12; Editorial comment, Page 14

Group of Ten agrees to new IMF funds

By David Housego and David Marsh in Paris

FINANCE ministers from the leading industrialised nations yesterday agreed to a substantial increase in resources for International Monetary Fund (IMF) emergency lending and expressed broad support for cooperation to achieve higher levels of growth.

The General Arrangements to Borrow (GAB), the financing mechanism run by the Group of Ten industrial countries to top up the IMF's resources, will be increased to SDR 17bn ($19bn) from SDR 6.4bn.

As part of the move to expand Fund lending to hard pressed developing countries, all IMF members will have access to GAB drawings.

Saudi Arabia is to provide an undetermined additional sum and Switzerland formally declared yesterday that it wanted to become a full member of the scheme as a new participant of the Group of Ten.

Although agreeing the need for "reinforced cooperation on economic, financial and trade issues," the Ministers at their Paris meeting yesterday refrained from committing themselves to specific measures to stimulate economic activity.

M Jacques Delors, the French Finance minister and chairman of the meeting, spoke of an absence of convergence of views. This, in particular, reflects the continuing sharp differences between France and the U.S. over the desirability of reflationary action.

Continued on Page 16

Yugoslav debt talks, Page 2; Caribbean gloom, Page 4

Amex agrees to $550m bank deal with Safra

BY WILLIAM HALL IN LONDON AND PAUL TAYLOR IN NEW YORK

AMERICAN EXPRESS, the U.S.-based financial services group, yesterday catapulted its banking subsidiary, American Express International Banking Corporation (AEIBC) into the big league of international banking by announcing plans to buy the non U.S. banking business of Trade Development Bank Holding (TDBH) for $550m in cash and securities.

The merger with TDBH, the Luxembourg-based bank which is 65 per cent owned by Mr Edmond Safra and whose principal subsidiary is the Trade Development Bank of Geneva, will create an international bank with about $13bn in total assets, earnings of around $125m a year and clients' assets under management of about $6bn.

Mr James D Robinson III, chairman and chief executive of American Express, said yesterday that he was "ecstatic" about the deal which he described as "a perfect fit."

Mr Safra, aged 51, controls the world's biggest private banking empire. His family started in banking in the Ottoman Empire over a hundred years ago but Mr Safra first became actively involved in his early twenties when he helped his father establish a Brazilian bank, Banco Safra. It is now controlled by other members of the family and ranks as one of Brazil's bigger banks.

In 1956 Edmond Safra moved to Geneva where he set up Sudafin Société Financiere which achieved full banking status four years later and changed its name to Trade Development Bank (TDB), the nucleus of the present group.

Mr Safra, who is rarely ever seen in public and did not attend any of yesterday's press conferences, has masterminded a rapid expansion of his banking empire over the last decade. He owns close to two thirds of his Luxembourg-based master company Trade Development Bank Holding (TDBH) whose main assets are TDB, the largest foreign owned bank in Switzerland, and a 61 per cent stake in Republic National Bank of New York, which accounts for around half the overall group's total capital and earnings. In addition, his empire covers banks and branches in France, London and South America.

Mr Safra's Luxembourg holding company is retaining its stake in Republic National but is selling its other overseas interests which have an estimated net worth of $375m and total assets of $5bn, to AEIBC. The net earnings of these interests is in excess of $60m for the year ending December 31, 1982.

Mr Safra, will continue to be based in Geneva, and will become chairman of the board and chief executive of AEIBC, which will have a branch network in close to 40 countries

TDHB will receive 2,692,300 American Express common shares and warrants to purchase a further 1.7m shares at $55 a share under the deal in addition to $175m aggregate principal amount of Swiss franc notes issued by an affiliate of American Express and $160m in cash.

This will leave Mr Safra holding through TDHB an initial 2m shares in American Express with the opportunity to increase the stake to 3m or just under 3 per cent of the company's total outstanding shares. Through the TDHB he will be AEIBC's largest individual shareholder.

Amex 'ecstatic,' Page 17; Lex, Page 16

IBM launches new computer in Europe

BY MARK MEREDITH AND ALAN CANE IN LONDON

IBM, the world's biggest computer company, yesterday launched its personal computer for the small business market in Europe. It will be manufactured at IBM's Greenock plant in Scotland and marketed from the UK, which will also serve the Middle East and Africa.

The computer has been available for almost two years in the U.S., where it rapidly took a major position in the market despite the lead established by companies like Apple, Tandy and Commodore.

Its launch in Europe has been eagerly awaited. One dealer said yesterday: "Price will not be a factor in the success of this machine. The name on the front is IBM and the companies that will buy this machine could not care less what they pay."

The new machine costs £2,080 ($3,300) in basic form, making it easily the cheapest IBM computer.

It will be direct competition for a new machine, the Lisa, being launched today by Apple Corporation, leader in the personal computer market.

The Lisa is said to feature special software which makes it very easy to use, but computer experts in the U.S. believe IBM is planning to launch a new, very much faster version of its personal computer this summer, which will give it the same software capability at a reduced cost.

The market in Western Europe for personal computers is expected to be worth about $1.5bn this year, representing sales of 281,000 units. UK sales alone are expected to be worth $370m.

PERSONAL COMPUTERS *
European market leaders

Company	Market share (by value)
1. Apple (U.S.)	50%
2. Commodore (U.S.)	30%
3. Triumph Adler (W.Germany)	less than 10% each
4. Sirius (U.S.)	
5. Sharp (Japan)	
6. Tandy (U.S.)	

* Stand-alone small systems for individual executives and costing under $12,000.

Some 100,000 personal computers are installed in Europe. If all $6,000–$12,000 computer systems are considered, Olivetti, Philips and Triumph Adler dwarf the personal computer manufacturers.

Source: Inteco Corp.

IBM would not speculate on its likely market share but analysts predict that its machine could reasonably command a fifth to a quarter of the market in the UK – meaning sales of $80m.

IBM expects about 80 per cent of the total production of personal computers at Greenock to be exported to other European countries.

Until production is fully under way, machines will be brought in from the U.S. to be distributed through retail outlets.

The choice of the Greenock plant to make the computer was made after vigorous competition from a number of IBM's 15 other European plants – which include sites in France, West Germany, Italy, Spain, the Netherlands and Sweden – to win the contract.

Technology, Page 7

Interbank lending up sharply

By Peter Montagnon in London

NEW COMMERCIAL bank lending to developing countries came to an abrupt halt for the first time since 1977 as the Mexican debt crisis exploded in the third quarter of last year, according to latest figures from the Bank for International Settlements (BIS).

Outstanding loans to non-Opec developing countries fell by $800m during the quarter after a strong $13bn increase in the second quarter, says the BIS which monitors international bank lending flows.

Despite a worldwide slowdown in international lending to non-banks, banks were lending more to each other during the third quarter. The BIS records a $50.5bn increase in international interbank deposits during the period after $3bn growth in the second quarter.

Foreign currency interbank business within individual banking centres also grew by $35bn during the period. In the second quarter it had fallen by $25.5bn.

The BIS attributes the sharp expansion of interbank business to seasonal factors, especially increased activity by Japanese banks as their new business year got under way.

But its figures surprised some commercial bankers after the well-publicised problems in the interbank market as confidence in some institutions waned when the Mexican problem was at its height in August and September.

Details, Page 18

CONTENTS

Italian industry halted by one-day general strike

BY JAMES BUXTON IN ROME

MOST OF Italy's large industries were brought to a virtual standstill yesterday by a one-day general strike. Some 8m workers are said to have taken part, many of them joining marches and demonstrations.

The success of the strike is an important boost for the trade union movement, which is in the midst of crucial talks with the Government and employers on wage costs, and is threatened by strong internal tensions.

The strike was directed against Confindustria, the private employers' association, with which the unions are in confrontation. But it was also the culmination of two weeks of sporadic protest against the economic austerity programme of Sig Amintore Fanfani's Government.

An important sign of the strike's effectiveness was the fact that most workers at Fiat vehicle plants around Turin took part. It is the first time more than a minority have joined such an action since the long Fiat strike of autumn 1980, which ended in humiliating unions defeat.

Yesterday's protest demonstrations and marches, including one in Rome of up to 100,000 people, were almost silent and there were few incidents. There were no speeches by the leaders of the three big union federations, the CISL, UIL and the CGIL. They agreed on this in order to defuse tension between pro- and anti-Communist groups.

Last week Sig Agostino Marianetti, leader of the Socialist minority of the predominantly Communist CGIL, was pelted with rotten eggs at Bologna by Communist members.

The outcome of the strike will not make any easier the Government's crucial efforts to bring unions and employers together on a formula for keeping wage increases this year down to 13 per cent, against last year's inflation rate of 16 per cent.

Since the beginning of last week, Sig Vincenzo Scotti, the Labour Minister, has been going between the two parties in an effort to find common ground on isues including the controversial modification of the *scala mobile* wage indexation system.

Sig Scotti was expected to convene leaders of the three unions for more talks last night or this morning in a last attempt to achieve an agreement before the deadline of Thursday imposed by the Government. If no accord is reached by then, as seems likely, the Government is expected to intervene with a formal proposal of its own for the modification of the *scala mobile* and agreement on basic wage rates.

Striking workers in Rome make their protest with raised fists, red flags and symbolic signs across their mouths

Talks on special aid for Yugoslavia under way in Berne

BY DAVID BUCHAN AND PETER MONTAGNON

WESTERN government officials met yesterday in Berne, under the chairmanship of Switzerland, to try to wrap up a special aid package to help Yugoslavia weather its current debt servicing crisis without a formal rescheduling.

As the confidential talks got under way, it was reported that Japan would provide $60m towards a total expected to reach nearly $1bn (£632bn). The report came from journalists accompanying Mr Yasuhiro Nakasone, the Prime Minister, to the U.S.

The token Japanese contribution, small in comparison to those offered by the U.S. and major West European governments, is nonetheless evidence of the breadth of the rescue effort being mounted for Yugoslavia.

The U.S. initiated the idea of a governmental aid package but, in deference to Yugoslavia's non-aligned status, passed the co-ordinating role to neutral Switzerland.

Mr Radovan Makic, governor of the national bank, and Mr Janko Smole, member of the Federal Executive Council with special responsibility for external liquidity problems, represented Yugoslavia at the Berne talks which are expected to continue today.

This meeting followed one between Mr Makic and Yugoslavia's commercial creditors in Zurich on Monday, with International Monetary Fund representatives in attendance. Commercial bankers were yesterday examining exactly what their contribution would be to the overall rescue effort.

Government contributions are likely to be of various kinds. The U.S., for instance, has been asked by Yugoslavia to underwrite the purchase on credit of some $300-400m-worth of soyabeans, supplementary feed grains and commodities in the coming year.

U.S. officials expect they can grant about half of this request. Other western governments are likely to make their contribution in the form of credit to cover industrial purchases.

Linked to the Berne negotiations are the provision by commercial banks and central banks of further credit to Yugoslavia. Western government officials see their action as giving a lead for commercial banks to at least restore some of the $1.13bn deposits they have withdrawn from Yugoslavia in the past year.

Since governmental aid might take time to reach Yugoslavia, and because Yugoslavia's debt servicing crisis is immediate, Western government officials hope that central banks may provide some short-term bridging finance.

Central bankers in the Bank of International Settlements (BIS) have been sitting for the past four months on a loan request from Yugoslavia. "The BIS likes to see both shores before it takes the plunge" one diplomat noted this week, and he hoped that the prospect of medium-term government credit for Yugoslavia might now spur the BIS into action.

Papandreou attacks West's sanctions against Poland

ATHENS. — Greece, which is due to assume the presidency of the European Community later this year, yesterday condemned Western sanctions over martial law in Poland and called for Palestinian self-determination.

Addressing a conference of of U.S. congressmen and members from the European parliament, Mr Andreas Papandreou, the Greek Prime Minister, said Greece had strongly attacked the imposition of martial law in Poland 13 months ago. But he added: "The imposition of sanctions is anything but favourable to democratisation. On the contrary, it creates a climate of confrontation."

On the Middle East, Mr Papandreou said: "Certainly Israel has the right to live within secure frontiers. But, equally, the Palestinians have the right to autonomy, to live within thier own state."

Political commentators have predicted difficulties over European Community foreign policy in the second half of this year when Greece, which has clear differences of emphasis from its partners, assumes the rotating Community presidency.

Warsaw plans more price rises

BY CHRISTOPHER BOBINSKY IN WARSAW

FURTHER price rises in Polish consumer goods and services look likely this year, although *senior officials have denied that* food will be affected.

An interview with Professor Zdzislaw Krasinksi, prices Minister, published yesterday indicates that the increases will include alcohol, cigarettes and petrol, as well as some rents over the course of 1983.

The authorities are keen to cut the rate of incomes growth, which is outstripping meagre increases in production of goods and services threatening to aggravate the already poor flow of supplies to shops.

The experience of the last quarter in 1982, when incomes rose abruptly, helping to defuse strike calls from the Solidarity underground, shows that the authorities are finding it difficult to resist pressure on wages despite the present suppression of trade unions.

But both Mr Krasinski and Mr Stanislaw Nieckarz, the Finance Minister, who spoke on television on Monday, denied there would be any food price rises this year.

Mr Krasinski said that a third of the 15 per cent price increases planned for this year would be in prices under central government control. This leaves one-third for price rises implemented directly by producers and a third reflecting price changes introduced last year.

The Government has projected wage increases this year at 16 per cent, a target already in doubt, as is the expected real growth of prices. According to Mr Nieckarz, incomes growth in the first quarter of this year is expected to reach 28 per cent, well over the plan figure.

This will not be matched by *the growth in supplies and will* leave Zlotys 180bn (£970m) unspent in people's pockets.

Gabon flea in French leader's ear

LIBREVILLE—President Omar Bongo of Gabon has startled M Francois Mitterrand, the visiting French leader, by threatening to expel French expatriates who meddle in Gabon's internal affairs.

His impromptu remarks came during a state banquet at his marble palace last night in honour of M Mitterrand, who earlier met some of the 25,000 French citizens living in the Central African country.

In other departures from *his* prepared text, the Gabonese President answered attacks on his regime's human rights record and publicly called on France to build him a nuclear reactor.

President Mitterrand, apparently taken aback like others in the audience, responded cautiously in his own speech, saying the reactor project had to be studied. He added that Gabon's French Community, one of the largest in Africa, was "dear" to him.

M Bongo told French expatriates: "While you are here your must respect the policies of President Bongo. If not, your place is not in Gabon."

As for those who contested his rule or brought French interparty squabbles to Gabon, he said: "I will put them on an aeroplane and send them back to France."

French residents in Libreville, capital of the oil-rich but under-developed country of 1m people, said President Bongo had issued similar warnings in the past. But they were shocked that he had repeated them in M Mitterrand's presence.

The French leader arrived on Monday morning on the last leg of a tour of three Francophile countries.

Official ceremonies had earlier stressed the extent of French co-operation and commercial interests in Gabon, one of the continent's richest countries in terms of per capita income.

M Bongo disclosed in his speech at the sumptuously appointed palace that his desire to build a reactor, using lpcal uranium, was discussed in private talks with his guest.

"I asked *you* to send experts so we can build a nuclear reactor, for peaceful purposes, because we must think of the post-oil period," he said.

French officials had declined to comment on this aspect of the talks or on suggestions that President Bongo would seek help on the project from elsewhere if France refused to provide it.

Reuter

Tugendhat renews appeal for sterling to join EMS

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission's almost plaintive appeal for Britain to put sterling into the European Monetary System was renewed again yesterday by Mr Christopher Tugendhat in the wake of the recent fall in the value of the pound.

With exchange rates at their present levels, the Budget Commissioner hoped that the UK would soon decide to join the EMS. It would be in Britain's interest to do so and only with full British participation could the EMS achieve its full potential, he told an audience in Frankfurt.

Britain's reluctance has caused extreme exasperation in Brussels. None of the Treasury's old arguments deployed against membership is seen as having much validity now.

Sterling's volatility as a petro-currency is seen as much less of a problem at a time of oil glut and falling oil prices. Meanwhile, Britain's balance of payments and monetary and fiscal policies are thought likely to promise relative stability for sterling in relation to other EMS currencies.

While sterling's membership would certainly be welcomed as strengthening the political credibility and effectiveness of the system, officials no longer believe that it would actually win Britain many laurels as a demonstration of commitment to the EEC.

This opportunity has now been lost by the government's pragmatic attitude of the past three years. Membership has involved costs as well as benefits for the existing EMS currencies, say officials, but the other governments were prepared to take a risk that Britain would not for the sake of launching a politically important initiative.

Hesitant buyers may delay Norway gas development

BY FAY GJESTER IN OSLO

DEVELOPMENT OF Norway's big North Sea gas field, Sleipner, may be delayed because potential buyers for the 140bn cubic metres of recoverable gas have failed to come up with price offers. Statoil, the state oil company, said yesterday that negotiations for the sale of the gas were going ahead far more slowly than expected.

Statoil began discussions last autumn with some 16 companies interested in buying the gas, including the British Gas Corporation. It had expected to reach agreement "relatively early this year," an official said yesterday.

However, he could not predict now when a decision might be reached. Buyers were reluctant to commit themselves to a definite price offer, he said. They appeared to be "sitting on the fence," waiting to see how the market would develop.

He stressed that Statoil was in no hurry, either. If offers were too low to ensure profitable development, exploitation would have to be postponed. A recent government White Paper pinpointed Sleipner, and Norsk Hydro's Oseberg oil and gas fields, as the two Norwegian fields next in line for development.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

EUROPEAN NEWS

France firm on NZ butter imports until Soviet sales resume

BY JOHN WYLES IN BRUSSELS

MME EDITH CRESSON, France's Minister for Agriculture, remained totally unmoved yesterday by the wrath of her British counterpart, Mr Peter Walker, and undertook to maintain a formal veto on the import of New Zealand butter until the EEC resumes substantial butter sales to the Soviet Union.

But Mme Cresson's stand is much more a blow at the integrity of EEC agreements than at New Zealand's butter trade. Its butter is continuing to enter the UK – with French agreement – at the rate of 7,250 tonnes a month in January and February.

This monthly tonnage is precisely one twelfth of the 87,000 tonnes of New Zealand butter which the Council of Ministers agreed last October should be imported into the EEC this year at preferential rates. France then withheld ratification as a counter against Britain's traditional antipathy to subsidising butter exports to Russia.

After raising the matter at yesterday's meeting of EEC Agriculture Ministers, Mme Cresson publicly promised to block the Council agreement until she was satisfied on Soviet butter.

The Commission's unsuccessful attempt at a compromise by offering restricted quantities for sale without a guaranteed export subsidy was, she said, discriminating against the Soviet Union. West Germany was selling technology to Moscow and that was far more dangerous than butter, she added.

On Monday, Mr Walker claimed that the French stand was "a monstrous and blatant abuse" of the

Mme Edith Cresson

Council of Ministers. But Mme Cresson is now well adapted to verbal warfare with Mr Walker and appears to regard the butter row as a limbering-up exercise for the looming annual Anglo-French clash on the size of the price increases to be given Community farmers.

Although New Zealand is not happy at having to ration its shipments to the UK to precise monthly quantities, it recognises that this is preferable to being completely denied special access to the EEC. Until the row is settled, however, there is always the risk that France might escalate the conflict and refuse to continue the month-by-month agreements.

Mr Walker, therefore could come under increasing pressure to take a more benign view on the question of sales to Russia.

Soviet writer applies for emigration permit

BY ANTHONY ROBINSON IN MOSCOW

MR Georgi Vladimov, widely recognised as one of the most talented dissident writers still living in the Soviet Union, has applied to emigrate after searches and threats by the KGB.

His flat in the Moscow suburbs, and that of his mother-in-law in the same five-storey block, was raided on December 28 and books, manuscripts and his Latin and Russian script typewriters were confiscated.

Earlier this month, Mr Vladimov and his wife, Natalia Kuznetsova, were interrogated for two days at Moscow's Lefortova Prison and threatened with arrest unless they write a letter by January 20 renouncing their "anti-Soviet activity."

Mr Vladimov has been a member of the Moscow branch of Amnesty International since 1977 and president since last summer. His KGB interrogators described Amnesty as a "CIA subsidiary" but made clear that they also resented his defence of recently jailed writers Leonid Borodin – whose novels about life in Siberia and "Russian nationalist" attitudes aroused the ire of the authorities – and Zoya Krakhmalnikova, the editor of a collection of religious writings.

Mr Vladimov has been in trouble with the authorities ever since he wrote "Faithful Ruslan", an allegorical novel about life in a Stalinist prison camp seen through the eyes of Ruslan, a camp guard dog.

Eta terrorists are closer than ever to making peace, writes **Tom Burns** in Madrid

Jagged Basque jigsaw slowly comes together

SLOWLY, with extreme caution, the jagged pieces of the Basque jigsaw puzzle are being put in place. At no stage since the organisation Euskadi ta Askatasuna (Eta)—Basque Homeland and Liberty—took up arms 24 years ago have the prospects for a pacification of the area looked so promising.

It is because Sr Carlos Garaikoetxea the President of the Basque Government, genuinely believes this so that he has taken a major initiative in proposing tripartite talks which aim to involve his own regional executive, the Madrid Government and Herri Batasuna (HB)—the People's Unity Party—the poltiical arm of Eta.

Last week Sr Garaikoetxea discussed his conviction at length in a private meeting in Madrid with Prime Minister Felipe Gonzalez. On Sunday, he met two HB leaders, who called on Sr Garaikoetxea for private talks at his official residence in the regional capital of Vitoria.

Political force

The radical HB coalition, which polled more than 200,000 votes in last October's elections to consolidate itself as the third political force in the area behind Sr Garaikoetxea's Partido Nacionalista Vasco (PNV) and the Socialists, systematically boycotts officials functions and institutions and is normally averse to private political broking.

Sr Garaikoetxea believes that the current political climate, in the wake of October's landslide electoral victory for the socialists, presents an opportunity which cannot be ducked. The pacification of the region or an end to Eta violence—the different terminology usually marks the dividing line between the Madrid and the Basque politician—is the single most important challenge facing Sr Gonzalez's Government.

Radicals

In spite of the habitual dismissal by HB radicals of all Madrid politicians as essentially Spaniards, the fact is that the Socialist Government's rise to power constitutes the final burial of Francoism, which was the *casus belli* of the original Eta violence.

This changed political framework nurtures what some moderate Basque leaders see as a definitive shift in the mood of the radical nationalists. Above all, there is what some perceive to be a palpable sense of exhaustion over the violence.

On Sunday, for instance, 12,000 people staged a march in San Sebastian to protest at the kidnapping by Eta of the son of a prominent local industrialist. San Sebastian is something of a Basque equivalent of Bogside and it was the largest anti-Eta turnout ever recorded. The next day, the youth, Sr Migual Echeverria, 21, was released unharmed after a week's captivity, reportedly on payment of a substantial ransom.

Accordingly, Sr Garaikoetxea, in his call for tripartite talks has sounded out Sr Gonzalez and HB on five specific points which together form an overall peace plan. These are:

- An end to violence.
- The lifting of bans on political parties which espouse Basque independence.
- A commitment to resolve the disputed status of Navarre, which is not part of the Basque autonomous region.
- A new definition of the powers of the locally organised Basque police force.
- A reappraisal, on an individual basis, of imprisoned terrorists who disavow violence.

There is more than a passing similarity between Sr Garaikoetxea's proposals and what has long been known as Eta's five points—the organisation's own offer for a ceasefire. Each of the points is rephrased, gains added nuances and is served up in a form more acceptable to Madrid.

Opinions

Thus Eta's nebulous demand for "an improvement in the conditions of the Basque working class" is turned into a straight halt to shootings and bombings as a gesture of good faith on the part of the terrorists.

The "right of self determination" becomes the acceptance that such opinions are legitimate in a democratic state.

The Navarre question—Sr Garaikoetxea was born in this adjoining province—loses its acrimony.

Sr Carlos Garaikoetxea (right), head of the Basque government, believes prospects for peace in the Basque country have never been so promising. For this reason, he has proposed talks involving his own administration, Madrid and the political arm of Eta, the Basque terrorist organisation. Eta seems willing to negotiate, but the group is far from unified.

The point dealing with the local police seeks the gradual substitution by Basques of the Guardia Civil and the National Police Force in local policing, in place of Eta's blanket demand for a "withdrawal of the occupying forces."

The final point, on imprisoned terrorists, attempts to satisfy the maximalist demand for an immediate amnesty for some 500 jailed Basques.

It is the first time that Sr Garaikoetxea, and by extension his majority PNV party, has proposed such an initiative. The timing is as much dictated by the honeymoon period with the Socialist Government as by tell-tale signs of splits in the hardline military wing of Eta.

Strategy

Sr Garaikoetxea and his colleagues in the Basque Government have reason to believe that significant veteran members of Eta, the so-called Historicos, are suing for peace.

This is mirrored by a public debate in the HB leadership on what strategy the radical nationalist coalition should pursue against a Socialist Government in Madrid. Ever since Sr Gonzalez's electoral victory, prominent HB members have issued less hot-headed statements, implying that Eta is willing to negotiate and that more importantly, Eta's original five points only represent an opening maximum bid.

The problems in getting a serious negotiation off the ground are, of course, formidable. The most daunting involves the many-headed hydra of Eta itself, as there are three distinct groups of gunmen competing among themselves and long used to violence and clandestine activities.

HB can only claim to speak for the military wing of Eta, admittedly the most important, while the two other groups, the so-called Autonomous Commandos and what is known as the "Eighth Assembly" of the political-military wing, do not have front organisations of any credibility.

In the military wing, there is a belief that certain historicos are willing to come in from the cold. But it is by no means clear that these veterans can pull the full weight of the organisation behind them.

Meanwhile Sr Gonzalez does have at least two trump cards which the previous centrist administrations in Madrid lacked. In contrast to other national parties, the Socialists have a strong power base in the Basque country, as indicated by the good result they achieved in the area in the October elections.

This means that tripartite talks can start at the localised level of the PNV, HB and the Basque Socialist representatives—something Sr Gonzalez is believed to be certain to insist upon.

New rapport

The second card Sr Gonzalez has up his sleeve is the indication of a new rapport between France and Spain. This directly affects the safe havens in south-west France which Eta have traditionally used with virtual impunity. The Eta leadership is understood to be acutely aware of a hardening in the French authorities' attitude.

The most encouraging signal that a breakthrough could be possible is that Sr Garaikoetxea is willing to commit his own prestige, that of his Basque Government and that of the powerful PNV organisation to the proposed tripartite talks.

Initial response from the Socialists and HB has been positive. Only time will tell whether the three parties manage to sit down together or not, let alone agree on anything. Whatever the outcome, the belief in Madrid and in Vitoria is that the coming weeks will mark a watershed in the long history of the "Basque problem."

Doubts on shaky team for Lisbon Cabinet

By Diana Smith in Lisbon

PORTUGAL'S POLITICAL crisis is deepening while President Antonio Ramalho Eanes tries to decide whether to approve a lack-lustre cabinet to replace that of Sr Francisco Balsemao, who resigned last month.

The President appears to fear that Professor Vitor Crespo, a Social Democrat and one of Portugal's least successful education ministers, and his cabinet of less experienced members of the shaky Democratic Alliance, may not be able to cope with the country's serious economic problems.

Meanwhile, he has consulted Sr Joao Salgueiro the outgoing Finance Minister, and the governors of the Bank of Portugal about the gravity of the financial situation.

In the absence of a 1983 budget, Portugal is being run on meagre doses of administrative funds and whatever short or medium-term loans the central bank can arrange.

President Eanes may not settle the fate of Professor Crespo's cabinet until late this week. Whatever he decides, Portugal's crumbling economy will not be out of trouble.

Portugal ranks now as Western Europe's poorest and least productive nation. Its debt to foreign banks amounts to $12bn, and further political infighting could prove costly.

President Eanes has apparently been told by the authorities that, while the country could scrape by during the administrative hiatus caused by a snap general election, it must then have a government with enough weight to form economic policies that will prevent financial turmoil in the medium-term.

Alaska proposes gas pipeline to Pacific

By Nicholas Hirst in Toronto

AN INFLUENTIAL committee appointed by the Governor of Alaska has recommended building a pipeline across the state to deliver Prudhoe Bay natural gas to Japan.

A pipeline to the Pacific is considered to be a cheaper, shorter and more attractive way of disposing of the 26 trillion (million million) cu ft of natural gas than the proposed pipeline across Canada into the U.S.

Headed by Mr Walter Hickel and Mr William Eagen, two former Alaska governors, the committee suggests building an 820-mile pipeline to transport the natural gas to a Pacific port on the Alaskan Kenai Peninsula, at a cost of $25.5bn (£16.2bn). It would then be liquefied and sold to Japan.

The committee was created *after the trans-Canadian pipeline*, supported by the Prudhoe Bay oil companies and the U.S. and Canadian governments, was postponed indenitely in April because its sponsors could not raise the necessary nance. The estimated cost of the 4,800-mile long trans-Canada pipeline was $43bn.

A decision to drop the trans-Canada option would be a severe blow to Canada. It had been hoping the pipeline would provide much-needed jobs and be used to deliver some Canadian gas into the U.S.

Mr Hickel has discussed the plan in Japan, and is confident the gas could be sold. However, U.S.-Canada relations would be soured if Washington were to renege on the trans-Canadian pipeline deal negotiated five years ago.

The Japanese option, however, gives the U.S. a new bargaining counter in its attempts to reduce the cost of Canadian *gas sold to the U.S.*

Canada charges $4.94 for 1,000 cu ft of gas, about twice the price of most domestic gas. But the Canadian do not believe they would increase their sales — now about 4 per cent of the U.S. market — given the present slack demand, even if the price were lower.

Discussion of natural gas supplies and prices are top of the agenda for a consultative meeting between U.S. energy and Canadian officials on February 1.

Hopes fade for further dollar fall against yen

BY ANATOLE KALETSKY IN WASHINGTON

ONE OF the few recent economic developments which has held out hope of relieving U.S.-Japanese trading tensions—the dollar's weakening against the yen — ironically went into reverse yesterday as President Ronald Reagan met Mr Yasuhiro Nakasome, the Japanese Prime Minister.

In recent months, the exchange rate—described yesterday by Mr Philip Caldwell, chairman of Ford Motor, as "the central issue" in Japanese-U.S. trade relations—has moved sharply in favour of U.S. industry.

Since last week, however, the move has come to an abrupt halt.

The dollar had soared to an uncompetitive peak of Y277 before starting a sharp fall in the first week of November.

This turning point coincided with the election of a new U.S. Congress, with an enlarged Democratic majority, more committed than ever before to protecting U.S. industry from Japanese competition. It also *followed close on the heels of* Mr Nakasone's appointment as Prime Minister.

By last week the dollar had plunged over 18 per cent to less than Y227, and some foreign exchange dealers had started to predict that a far more "realistic" dollar of about Y210 or Y200 could be in sight before the year was out.

Since Monday last week, however, the dollar has regained about Y5 of its value. While the consensus among foreign exchange dealers still favours a somewhat weaker dollar, there is now less talk about a return *to the* Y200 level which prevailed in 1981.

With the underlying decline in the dollar-yen exchange rate, some of U.S. industry's complaints about Japan's "unfair" trade advantages have been expected to die down.

Mr Caldwell, who joined several other business and trade union leaders at the White House on Monday to lobby President Reagan ahead of his talks with Mr Nakasone, was quite explicit in calling the exchange rate "the common thread throughout" the trade imbalance between the U.S. and Japan—an imbalance estimated to be about $30bn (£12.7bn) in 1982. He hoped that "some improvement could be made."

When the dollar began to decline in November, dealers maintained that the market's obsession with interest rates had been replaced with a greater concern about the underlying trade imbalance between the U.S. and Japan (and to a lesser extent, between the U.S. and its other trading partners, such as West Germany).

The U.S. trade deficit is expected to rise to a record $75bn in the year ahead and this was given as the key factor behind the decline in the dollar.

Recently, however, attention has focused again on the money market operations of the Federal Reserve Board and the central banks in other countries.

Washington to press Nakasone for more trade concessions

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration is to press Japan to assume greater international responsibility in its trade and defence policies during the high-level talks with Mr Yasuhiro Nakasone, the Japanese Prime Minister, which opened here yesterday.

Senior U.S. officials said the overall aim of the talks was to establish friendly personal relations with Mr Nakasone, who took over as Prime Minister at the end of November. U.S. concern at Japanese trade and defence policies could not be "swept under the rug."

Mr Nakasone started his two-day visit with a White House meeting with President Ronald Reagan, who is particularly keen to develop a relaxed working relationship with the Japanese leader.

Mr Nakasone was also due to meet Mr George Shultz, the U.S. Secretary of State, Mr Caspar Weinberger, the Defence Secretary, economic policy-makers and congressional leaders.

U.S. officials said they felt Mr Nakasone had "got off to a good start" by pressing ahead with measures which would open the Japanese market to U.S. imports, securing a larger increase in Japan's defence budget than originally envisaged, and opening the way for transfers of Japanese military technology to the U.S., a move announced at the end of last week.

They stressed, however, that these should be regarded as first steps in a much longer process of liberalising trade and building up Japanese defence spending. Officials said they would tell Mr Nakasone that further action on the trade front was particularly urgent in view of the rising tide of protectionism in the U.S.

The Reagan Administration still felt there was "a long way to go" before U.S. products had the same free access to Japan that Japanese exports enjoyed in the U.S., they said.

Equally, they said, the pace of the Japanese defence build-up was insufficient to meet agreed targets.

The U.S. wants the Japanese "self-defence" forces to shoulder a much greater share of the burden of surveillance and protection of the Western Pacific.

Canute James on the financial vulnerability of Cuba and its neighbours

Caribbean countries flock to IMF as economic gloom deepens

CUBA'S recent decision to halt repayments of $1.3bn (£813m) of principal owed to Western creditors over the next three years highlights the increasing economic vulnerability of the Caribbean countries.

The region's heavy dependence on a narrow range of commodity exports for its foreign earnings—in Cuba's case, sugar—means it is especially hard hit by commodity price falls caused by the recession in the industrialised West, the Caribbean's most important market.

Despite an understandably frigid response from the banking community to Cuba's move, other countries in the region continue to flock to international institutions such as the International Monetary Fund (IMF), for they have no option but to borrow more if they are to stave off economic collapse.

Barbados is the latest to obtain IMF assistance; two 20-month credits of SDRs 31.8m and a compensatory financing facility of SDRs 12.6m—a package totalling $48.8m.

The Barbadian economy has, in the past decade, been regarded as a model to be emulated by neighbouring islands. But the IMF now says: "The international recession has had an adverse impact on the highly open Barbadian economy. . . because of the poor performance of exports and tourism as well as a continued rise in imports, the (current account) deficit is expected to rise."

Much the same can be said for the other islands in the region, as a look at the following selection of examples will show. Jamaica got SDRs 19.4m in August to compensate for a fall in earnings, after having obtained extended credits and compensatory financing of $698m in 1981.

Haiti, the poor cousin of the Americas, had earlier obtained IMF credits of SDRs 34.5m. The Dominican Republic has negotiated a three-year extended fund facility of $466.5m.

Besides the growing mountain of debts which have to be serviced to prevent default and a loss of creditability, regional economies are facing chronic shortages of hard currency to finance basic imports. Widening trade gaps, current account *deficits and increasing* unemployment add to their problems.

Efforts by these countries to borrow their way out of trouble are likely to be unsuccessfull. Guyana, for example, won credits of $130m intended to support the economy to allow it to achieve 6 per cent real growth in gross domestic product in the year to last June. Instead there was a decline and the Government has publicly said the country is bankrupt.

Frequent suggestions of alternative economic links as one way to ease the burdens are being met with increasing cynicism—particularly in the light of Cuba's unilateral rescheduling. On the other hand, Puerto Rico's special relationship with the U.S. has not prevented a lengthening list of business closures on the island.

Agricultural exports from the Caribbean, once the basis of all the islands' economies, have proven increasingly unreliable in shoring up meagre hard currency reserves.

Low sugar prices have been a severe blow to Cuba and the Dominican Republic, but domes*tic problems* in most of the Commonwealth Caribbean countries have also contributed to a steady fall in output. Many are meeting EEC quotas to the detriment of adequate supplies to the domestic markets, and all have declared shortfalls on their international sugar agreement quotas.

Banana exports from Jamaica and the Windward Islands to Britain, where they have traditionally accounted for over a half of British imports of the fruit, are struggling after farms were devastated by a hurricane three years ago. Latin American countries are now filling the gap

The region's fledging manufacturing sector, which depends on exports of consumer durables and food, has been hit by the recession in the U.S. Regional trade is also on the decline because of a lack of convertible currencies.

Countries with a common weakness: dependence on a narrow range of commodity exports for foreign earnings

The decline in demand for bauxite and alumina has hit the heart of the Jamaican and Guyanese economies among others. Jamaica, traditionally the world's third largest exporter of the minerals, after Australia and Guinea, mined about 8.6m tonnes last year, 3m tonnes less than 1981. In Haiti, mining is being terminated because of poor demand and low grade ores.

Meanwhile, tourism is declining because fewer Western holidaymakers can afford to travel. The Caribbean Tourism Research and Development Centre, estimates that there were 7.1m visitors to the region last year, well below the level of 1979.

Government leaders and economic planners agree that there is very little they can do to redress the slide in regional economies. In borrowing to stay alive, said one leading economist, the Caribbean countries are knowingly mortgaging their future.

But there is no clear alternative to increasing debt burdens, even if they reduce the rate of decline in economic growth. And mounting debts mean these countries less and less control their own economic destinies. Their only hope for success is to follow economic plans being implemented, not by their own governments, but by creditors in Washington, Ottawa, London and Bonn.

U.S. construction costs 'could be cut by $10bn'

BY RICHARD LAMBERT IN NEW YORK

AT LEAST $10bn (£6.4bn) a year could be cut from U.S. construction industry's costs, according to a report published yesterday by the Business Roundtable.

The report, the result of a four-year study project, recommends drastic changes in almost every *aspect of the construction* process.

The Business Roundtable is an association of chief executives of some 200 major companies.

Dr Ruben Mettler, chief executive of TRW, an industrial company with strong vehicle and electronic components interests, and chairman of the Roundtable, said that productivity in the *industry* had been dropping since the mid-1960s, and building costs had risen faster than other prices.

"As a result, construction costs are completely out of line and the entire economy pays for the industry's waste and inefficiency," he added.

The study finds that construction productivity has suffered as a result of the inefficient use of overtime, restrictive work *practices* and high levels of job turnover and absenteeism.

Some contractors reported job turnover rates as high as 200 per cent a year and absenteeism rates of 20 per cent of a project's workforce. Savings of up to 10 per cent of labour costs could be achieved if these rates were reduced, says the report.

The total amount spent annually on industrial, commercial and utility construction in the U.S. is estimated at $137bn.

ENERGY REVIEW

A new broom at the U.S. Energy Department

By David Fishlock, Science Editor

DONALD PAUL HODEL is an agreeable lawyer in his late 40s who has just been confirmed as head of one of the world's biggest research and development agencies. His boyish pleasure on the day of his confirmation by the U.S. Senate, early last month, left no one present in doubt it was the job he wanted and was yearning to tackle.

But Mr Hodel's perception of the task ahead will evoke surprise in many quarters and squeals of anguish in others. For he is passionately determined that an agency widely believed to be doomed and soon to be dismantled shall survive and thrive under his leadership. "I have expunged the word 'dismantlement' from my vocabulary."

Donald Hodel is the new U.S. Secretary for Energy. He takes the helm of a team that was badly demoralised by the facts that his predecessor — James Edwards, a dentist by training —had spent nearly two years dismembering the Department of Energy on orders from the White House, and was evidently uninterested in the work it did.

No less evidently, that work excites and inspires Mr Hodel. His career since the late-1960s has been closely bound up with energy, including some years as chief executive of one of the biggest U.S. state-owned electricity companies, Bonneville Power in the north-west.

An international perception of energy

He has advised the National Science Foundation, helped govern the Electric Power Research Institute—the U.S. electricity industry's big research co-operative—and in 1980 was elected to the board of directors of the U.S. National Committee of the World Energy Conference.

Thus he has an international perception of energy—its use and its abuse. He comes to the job "with the hope I could participate in the process of rationalising U.S. energy policy." That means the Department of Energy must be well-managed and properly related to the Departments of Commerce and Industry, the two which expected to pick up the big pieces of a dismembered Energy Department.

"We need to work hard to build a new consensus on energy policy in the U.S." He says he is appalled by the enormous effort wasted on *energy R and D projects* the U.S. has abandoned. (This was in the very week last month that Congress was trying to ditch the 380-megawatt Clinch River prototype fast breeder reactor on which about $500m has already been spent.)

An abandoned energy venture is "worse than a pyramid" in terms of output, Mr Hodel contends. "Projects that start and do not finish leave a political residue." This in turn has a destabilising effect on society, he says.

What are the prospects for getting consensus on energy policy in a nation which still sees cheap energy as its birthright and remains widely apprehensive about nuclear power? Mr Hodel says "it is my unproven and improveable conviction" that the opportunity today is better than when the Reagan *Administration first came to* power.

Mr Donald Hodel: "a new concensus on energy policy"

His recent record—for which he has received medals—focuses strongly on conservation of energy. But it also confirms a readiness to talk with the opponents of big energy projects — less from the standpoint of trying to change their minds but from the desire to find areas of agreement on the fringes of the more contentious issues and to try to tease them to life. He already has had and will continue to seek, meetings with the environmental groups which have frustrated so much of the energies of this department for well *over a decade.*

The U.S. Department of Energy was originally the U.S. Atomic Energy Commission, which in the early 1970s became the Energy Research and Development Administration. But the acronyn Erda failed to convince the rising tide of oppo*sition to the* "energy companies"—oil and coal as well as nuclear—that it was anything more than the same old enthusiasts for high-technology solutions to energy problems. The opposition claims that low-technology solutions will provide ample energy and if not, well, *people must just get along* with less energy.

Under the Carter Administration of the late-1970s, Erda metamorphosed into the Department of Energy. It exploded in numbers to about 20,000 office workers alone. (For comparison, Britain's Department of Energy employs 1,100.) It acquired major regulatory functions. It built up—and is still continuing to expand — the Strategic Petroleum Reserve. Its forecasted budget for *1983 is* nearly $12bn.

Under Mr Hodel's predecessor, it decontrolled the oil price, shedding more than 200 sections of federal regulation and with them some 3,500 staff (17 per cent). It claims that by "sharply reducing federal intervention in energy markets," it has cut its budgets for the years 1981-83 by a grand total of $10.4bn compared with the forecasts of the Carter Administration. On the other hand, it has doubled the Strategic Petroleum Reserve—and plans to triple the present two-month reserve by 1990.

But half of Mr Hodel's budget is devoted to an activity having no counterpart in Britain's Energy Department. It inherited from the Atomic Energy Commission responsibility for developing and making nuclear weapons, including the fissile materials they need. No-one recently *has been left* in any doubt that the Reagan Administration is expanding this activity, with major new weapon programmes such as MX and cruise missiles.

Soon after World War II, the U.S. fought a fierce public debate which wrested control of nuclear weapons from the Pentagon and placed it firmly in the civil sector. Mr Hodel says he has no doubt the U.S. public wants *it* to stay civil. He *will continue to oversee the big* production and assembly operations as well as three major national laboratories — Los Alamos, Lawrence-Livermore and Sandia—specialising in nuclear weapons.

But nuclear weapons development is the sharp end of what he sees as the *dominant* future role of his department, namely "long-term, high-risk, high-payoff technologies." In short, it is reverting to the role of Erda in the mid-1970s.

There will be two crucial differences from the earlier agency, however. One is that it will concentrate on *areas in*dustry itself sees as the energy technologies of the future and eschew dilettante activities "just to please ourselves," as Mr Ken Davis, Hodel's deputy until last week, puts it.

The second big difference will be the emphasis placed on inter*national* collaboration in advanced energy projects. The U.S. Government is eager to share the cost and the risks of big new energy ventures. What is more, the policy will be for the project to "go where the money seems to be," Mr Hodel promises.

At the State Department, the Office of Energy Technology Co-operation is charged with forging the links between nations. Its director, Mr Martin Prochnik, says the Administration's enthusiasm for axeing budgets is the big incentive.

One big U.S. programme for which Mr Prochnik has high hopes is controlled nuclear fusion, the release of energy from the fusion of light atoms. U.S. fusion physicists would like to build a $3bn prototype fusion reactor in the 1990s. What to build it from—to withstand stellar conditions of temperature, pressure and radiation — is still unresolved. So it is proposed that the U.S., the EEC (Euratom) and Japan might collaborate in a fusion materials research programme, at a cost the U.S. puts at "hundreds of millions of dollars."

Extraction of oil from shale is a technology in which he believes interest is picking up outside the U.S., often in smaller countries which import their oil at present. The Synthetic Fuels Corporation, the U.S. agency charged with sponsoring first-of-a-kind industrial plants in this field, is already discussing with West Germany and Japan possible participation in a U.S. project.

High-temperature geothermal energy from deep in the earth is a venture which has stalled for lack of funds at Los Alamos, despite the participation of Japan and West Germany. Now the State Department is eyeing such countries as Britain, with a "hot rocks" project in Cornwall which has attracted about £10m of government funding.

The project which has drawn greatest interest overseas, however, is Loft (Loss-of-fluid test), a facility in Idaho where major accidents in nuclear plant can be staged safely. Other nations have already subscribed one-third of the $90m budget of this programme over the last three years. Mr Prochnik hopes to negotiate a wider collaboration for the future. Austria, Finland, West Germany, Italy, Japan, Portugal, Spain, Sweden, Switzerland and the UK have all shown "some interest" in contributing.

Professor Alvin Weinberg, a leading U.S. physicist, has proposed that the Department of Energy should use the breathing space offered by depressed domestic demand for new reactors to develop a new thermal reactor to rival the pressurised water reactor (PWR). Mr Ken Davis, doyen of the nuclear experts at the department, is cool on this idea, believing the U.S. nuclear industry has no cash to spare for such a project — "certainly into tens of millions of dollars."

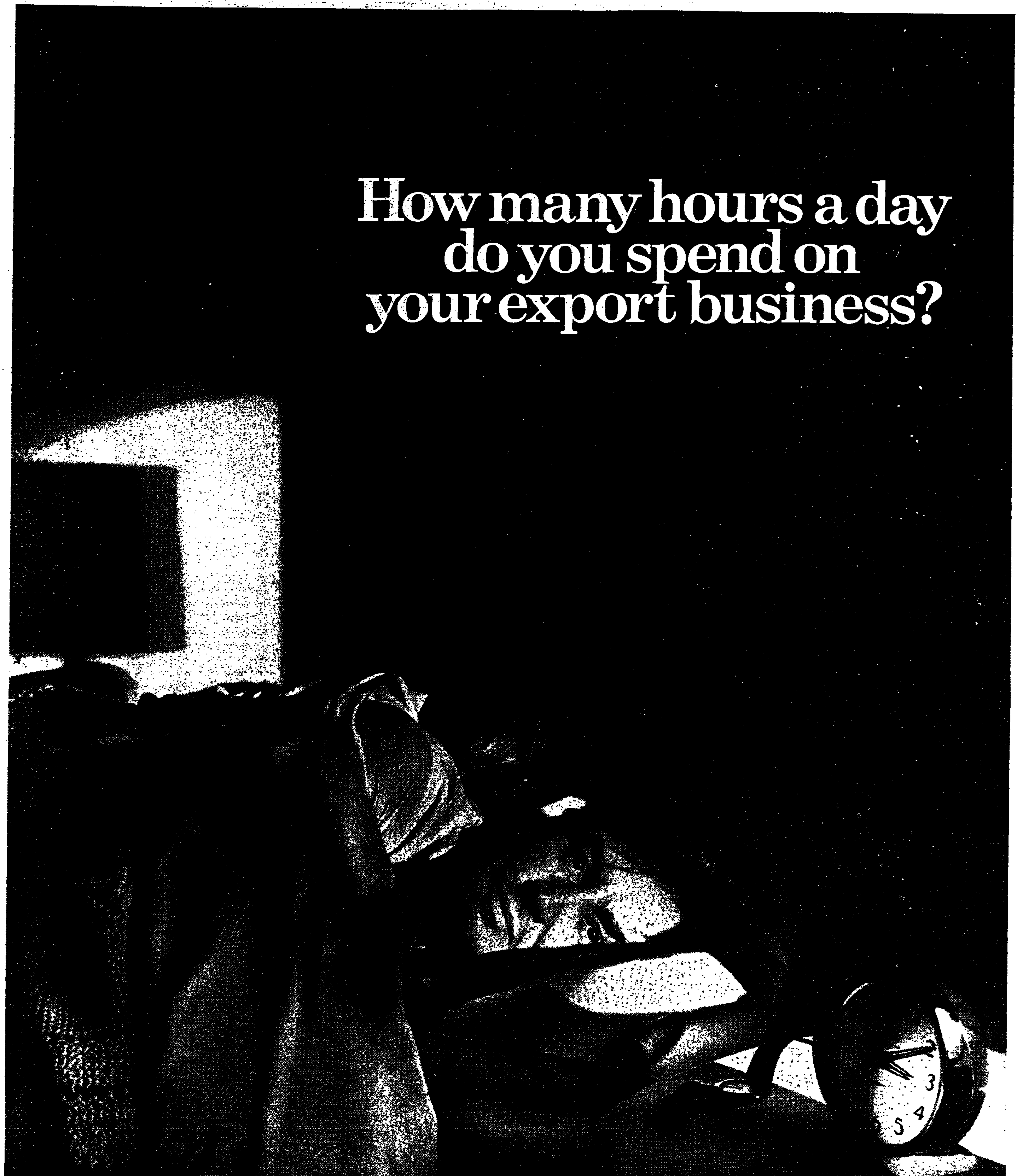
The official view of the PWR, however, is that "the basic system seems to be perfectly adequate," Mr Davis says. The department is neither demanding nor funding any revolutionary changes. The accident to a PWR at Three Mile Island in 1979 is certainly proving an impediment to progress—"an unlanced boil," as one nuclear industry executive describes it. "But it seems to me that even without it we'd be in essentially the same situation as we are today." Mr Davis says. The U.S. electricity supply industry is experiencing a growth rate less than half that of the three decades until the mid-1970s.

Westinghouse and Mitsubishi, backed by U.S. and Japanese electricity companies, have just begun to collaborate in a $150m programme to develop a PWR that will meet both Japanese and U.S. future needs, and fend off German PWR competition in Japan. One *big* aim is t get 20-25 per cent better utilisation of the reactor, by stretching to as much as two years the intervals between refuelling. The Department of Energy also supports R and D on higher-performance PWR fuel.

The highly polarised area of fast reactor technology

But the most contentious U.S. energy project is undoubtedly the Clinch River prototype fast reactor which has hovered between life and death for six years. Its proponents see it as the reactor of the future, far more fuel-efficient than the PWR can hope to be. Its detractors condemn it as a "technological turkey" and argue passionately that its neck must be wrung.

The highly polarised area of fast reactor technology will surely be one of the most difficult for Donald Hodel to find any areas of agreement to explore at the fringes. Yet it is one where the U.S. has the highest hopes of forging an international collaboration—ideally involving Britain, France and Japan.



The life of an exporter can have its worries.

Nowadays, it seems the only safe assumption that an exporter can make is that in today's world nowhere is safe.

Companies in stable countries can fail just as easily as governments in shaky ones.

And violent, natural catastrophes can happen anywhere on earth, often bringing financial disasters in their wake.

This could be the reason why last year some 11,000 exporters insured their exports – and ensured themselves a proper night's sleep – through ECGD.

Last year, too, ECGD paid out over £300m in insurance claims.

An ECGD policy not only guarantees you up to 95% repayment if an overseas company or country should fail to pay for your goods or services.

It may also help you to obtain better rates of interest for export finance from your bank manager.

Last year, in fact, banks were lending to ECGD policy-holders at not more than five-eighths per cent above base rate.

Which not only meant "cash on shipment" but saved them money into the bargain.

Get in touch with us at ECGD soon if you're having sleepless nights over your exporting.

We can't reduce the risks of being in the export business.

But we can reduce the worries of getting paid.

ECGD

Export with confidence.

EXPORT CREDITS GUARANTEE DEPARTMENT. HEAD OFFICE – LONDON EC2 01-606 6699 EXT 4423 LOCAL OFFICES – BELFAST (0232) 231743. BIRMINGHAM. 021-233 1771 BRISTOL (0272) 299971 CAMBRIDGE (0223) 68801 CITY OF LONDON. 01-726 4050 CROYDON 01-680 5030 GLASGOW 041-332 8707 LEEDS (0532) 450631 MANCHESTER 061-228 3621

Poland set to pay more for Soviet oil, gas imports

BY CHRISTOPHER BOBINSKI IN WARSAW

THE COST of Soviet oil and gas imports to Poland is to go up this year, putting additional strain on the country's negative trade-balance with Eastern Europe in 1983.

According to Mr Tadeusz Nestorowicz, the foreign trade minister, Poland wil be paying 19 per cent more for Soviet oil than in 1982, and 17 per cent more for natural gas.

Mr Nestorowicz also said that Poland had begun to buy grain abroad on a cash basis, a reflection of problems in raising grain credits from traditional suppliers such as France, Canada and Austria, as well as the U.S.

Mr Nestorowicz said imports of Soviet oil this year would stay at last year's level of 12.75m tonnes, while the price has moved from 116.5 roubles per tonne to 138.9 roubles a tonne.

The increase is smaller than in recent years. The Soviet oil price went up by 28 per cent in 1981 and 26 per cent last year.

Prices within Comecon are determined on a year by year basis and reflect average world prices of a given product over the previous five years.

Natural gas imports crucial to Poland's chemical industry this year are to reach 6bn cubic metres, up from 5.4bn in 1982.

The price in 1983 is to be 109 roubles per 1,000 cubic metres, compared with 93 roubles per 1,000 last year, when the natural gas price rose by 25 per cent compared to 1981.

With the value of Polish Soviet trade this year due to go up by 14 per cent, the continued rise in oil and gas prices means that the share of fuel and energy in Poland's total imports from the Soviet Union should reach around 53 per cent compared to 35 per cent in 1979.

Mr Nestorowicz said that Poland had also bought 1m tonnes of oil from Libya. This would be refined in western Europe, and used in Poland's chemical industry this year.

The Polish government has decided to import 4m tonnes of grain and the decision suggests the authorities are ready to allocate the scarce hard currency for purchases abroad if credit talks fail.

According to western diplomats, Poland has already purchased 200,000 tonnes of grain from Britain this year and was believed to have bought a further 150,000 tonnes from France on a cash basis, as well as 50,000 tonnes from Sweden under a barter deal.

London show of Chinese products launched

BY COLINA MACDOUGALL

THE FIRST permanent exhibition of Chinese products outside the People's Republic or Hong Kong opened last week in a London suburb. It was mounted by CMEC Dalian-Cornhill Ltd, one of China's first overseas *joint ventures.*

The joint venture has been set up in Kingston-upon-Thames by the Dalian branch of the China National Machinery Import and Export Corporation, and Cornhill, previously a firm of builders.

The exhibition covers mainly machinery and small tools. Dalian, in the heavy-industrial province of Liaoning, is China's second largest port and a big manufacturing centre.

The British managing director, Mr David Ward, said the joint venture company had already delivered £25,000 worth of Chinese cable and had received orders for about another £3m worth from a British company, Antina Cables.

The joint venture is also handling inquiries from the Chinese for shunting locomotives and technology to modernise the Dalian Electrical Machinery Factory. Mr Ward said Cornhill is providing the premises for the joint venture, and the Chinese side the products, while profits will be shared 50-50. A Chinese director, Mr Kang Jianglin, of the Dalian branch of the Corporation, will join the company in May.

Rescheduled debts place pressure on ECGD

By Frank Gray

THE RISE in the number of countries rescheduling their debts is placing increasing pressure on the solvency of the Export Credits Guarantee Department (ECGD).

The Government loan guarantee agency said yesterday that it had paid out £200m to British exporters in compensation for non-payment of foreign business debts in the first six months of the current fiscal year.

If such a payout rate continues, the ECGD will exceed the record £303m in compensation payments for the 1981-82 fiscal year which ended last March.

The six-month shortfall in payouts against income was £45m for its commercial account, according to Mr Gordon Downey, the exchequer comptroller and auditor general, in his recent trading account report on the ECGD.

In addition, the organisation's cash flow shortfall for its national interest account for the same period was £79m. Such loans are undertaken because they are deemed to be in Britain's national interest.

While the organisation usually offsets its compensation payments through earnings from export credit insurance premiums—last year these were £320m, up one-third over the previous year—it acknowledged that the current situation, if continued, could force it to draw funds from its reserves. These now stand at £481.4m.

Any depletion of the reserves, which at worst could only occur after several years of large deficits, would require the ECGD to draw down public funds.

The agency was not predicting such a development, but said the international situation was a source of deepening concern.

Export Award

Bronx Engineering, a Stourbridge, West Midlands, company whose director, Mr Arthur Brown, this week won an Exporter of the Year award for winning overseas orders, was experiencing a financial loss at the time of the director's sales efforts, but was not near bankruptcy as incorrectly stated in the Financial Times of January 18.

Egypt's wastewater system needs $1bn of U.S. help, writes **Charles Richards**

Bureaucratic blockages strain Cairo's sewers

EGYPT is seeking $1bn (£630m) aid from the U.S. for the overall of its sewerage system over the next five years. The request is likely to be discussed during President Hosni Mubarak's visit to Washington later this month.

Under the five year development now being debated by the People's Assembly E£3.4bn *(£2.5bn), of which the foreign* exchange portion is the equivalent of E£112bn, is allocated for the wastewater projects. This compares with the meagre E£700m spent in the 20 years to 1980, when Egypt neglected infrastructre to pay for its war effort.

Lack of investment and routine maintenance led last month to a burst outlet from the main pumping station in Giza *which serves up to 4m residents* of metropolitan Cairo. Water was cut off for days and large areas of the leafy suburbs were swamped by evil smelling effluent. Besides the discomfort the health risks are enormous. The Minister responsible said in a parliamentary debate on the problem said: "I put my hand on my heart and pray to God that nothing more *happens.*"

Help is already on the way from Japan, West Germany, Britain, the U.S. and the EEC. A master plan for the development, of the Greater Cairo sewerage system, prepared by John Taylor and Binnie and Partners now in joint venture consultancy with Veatch and Camp Dresser Mackee to form Ambric (American - British Consultants) identifies a number of top priority projects to be finished by the end of the decade.

The five year programme to rehabilitate the existing system on the east bank of the Nile is expected to cost about E£750m to E£800m, partly paid for with the help of a £50m grant from Britain's Overseas Development Authority (ODA) and a £100m commercial loan backed by the Export Credit Guarantee Department and arranged by Samuel Montagu and Midland Bank International. Local financial constraints and slippage will probably extend the project to six, seven or eight years.

Despite the urgency of the project, the first brick has yet to be laid nearly five years after *the consultants first presented* their plan to the Egyptian authorities. Bureaucratic delays are mainly responsible. The Minister for Housing and Reconstruction signed the agreement covering the British part of the project in November 1981, but it has yet to be rubber stamped by the People's Assembly and the President.

The Americans have committed $400m to projects in Cairo, Alexandria, the Suez Canal Zone and Upper Egypt. So far only $100m has been disbursed, but gradually the aid pipeline is being unblocked. In September Howard Harbart and Jones won a $50m contract for a new water treatment plant in Rod el Farag in northern Cairo, and work has started.

On December 21, a joint venture of Howard Harbart Sadelmi signed a $56m contract for the rehabilitation of about 90 pumps on both banks of the river in greater Cairo, the first stage of the greater Cairo project. Documents for the first tender contract for Al Ameriya One pumping station has been sent out and four more are due to be sent out by the end of February.

In Alexandria, about $80m worth of contracts are expected to be awarded this year. Others, in Port Said, Ismailia and Suez are also expected to go out to tender.

The U.S. is prepared to increase its commitment to the requested $200m a year over five years only if a number of criteria are met. First is absorptive capacity. USAID wants to ensure that money committed can be disbursed on specific projects within a given time. Since few projects are ready to go out to tender right away, given the lack of detailed design work, the U.S. will be reluctant to commit such a large chunk of its $750m a year project aid if it will not be used.

The Americans would also like to see more realistic user tariff charges to pay for routine maintenance costs and to simplify the institutional framework.

Against this must be set the *shared view in Cairo and Washington* that overhauling Egypt's water and waste water system is of top priority. From the U.S. point of view it would also help restore some prestige to the image of the USAID programme if the Americans engaged in some major and lasting projects that could be seen as a monument to American friendship.

Call for Malaysian trade rethink

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR, the Malaysian Prime Minister, yesterday launched a strong attack against the trade relationship between Malaysia and Singapore, saying it was working to Malaysia's disadvantage.

Pointing out that as much as a quarter of Malaysia's 1982 exports of 26,600m Ringgit (£7.3bn) were channelled to Singapore for re-export, he said the situation was both "an insult and an injury" to Malaysia.

Dr Mahathir said the present trade pattern with Singapore had handicapped Malaysian ports and shipping, while Malaysia found difficulties in trade negotiations with other countries, which often claim to be buying more Malaysian goods than were recorded by Malaysia.

"Rotterdam and Hamburg, which frequently buy Malaysian goods through Singapore and redistribute them throughout Europe, distort the figures even more through double-counting."

Dr Mahathir, who opened an economic seminar of the Malaysian economic association here, chided Malaysian traders for being complacent by sending goods to Singapore.

"They would rather deal with the convenient middlemen. Contacting importers who live in strange places, speak strange languages and conform to strange laws is too much trouble," the Prime Minister said.

He said it was the Government's intention to rectify the situation. It was building new ports, and expanding existing ones so that as far as practicable, the country would handle its trade without the services of third parties. He called on Malaysian traders to clear their "mental block" in channelling goods to Singapore.

Compromise over facilities for Soviets in Rotterdam

BY WALTER ELLIS IN AMSTERDAM

A LAST-MINUTE compromise between The Hague and Moscow over a Soviet demand for a consulate in Rotterdam appears to have averted what could *have developed into a trade* dispute between the Netherlands and the Soviet Union.

Moscow has been pressing to establish a consulate in Rotterdam since 1975, only to meet with consistent rebuffs from Dutch Governments concerned about the espionage potential of a Soviet presence in the world's largest port.

Now Mr Hans van Den Broek, the Dutch Foreign Minister, has ruled that there can be no consulate as such, but that trade officials of the Soviet Embassy in The Hage *can conduct business* from an office within the port.

For the Dutch, a principle has been safeguarded, no building protected by diplomatic privilege is to be established.

Moscow's argument has been that with *2,200* Soviet ships passing in and out of Dutch ports each year, there is an urgent need for Soviet consular facilities in Rotterdam.

Saudi Arabia keen for more infrastructure projects

BY PAUL BETTS IN NEW YORK

SAUDI ARABIA should represent a short-term bonanza for medium-sized companies, in spite of the depressed oil markets, Mr Hisham Nazer, the kingdom's Planning Minister since 1968, told a group of U.S. businessmen and bankers last week. The influential U.S. educated Saudi official acknowledged that the size of new projects, largely for the development of key infrastructures, would *no longer be as large as* in the past.

Mr Nazer said that Saudi Arabia was particularly interested in forming joint ventures with Western companies in industry, management and maintenance. For the first time, he added, Saudi Arabia would not necessarily look as it has traditionally done in the past at exclusively Saudi Arabian-based joint ventures.

Although Saudi Arabia would like such ventures to be based *in the Kingdom whenever it* was economically possible, Mr Nazer said the country would now also consider partnerships in industrialised countries. In particular, Saudi Arabia is looking at joint ventures in petrochemicals to maximise development of its big push towards the downstream oil business.

However, Mr Nazer's encouraging remarks contained a characteristically discreet admonition.

In a *nutshell, he told the* U.S. businessmen that Saudi Arabia remained *wide open to* them, but in return, the U.S. and Western markets would have to be open for the eventual export of Saudi Arabian petrochemical and refined oil products.

It has long been one of Saudi Arabia's great concerns that the industrialised countries of the West would gang up and enforce protectionist trade policies to defend themselves from *a flood of refined oil products.*

After all, Saudi Arabia holds *25 per cent of the world's* proven oil reserves and vast quantities of gas. As a petrochemical producer, it could clearly become a formidable international competitor. The fears of the West—which, incidentally, were among the reasons why Du Pont, the largest U.S. chemical company, bought Conoco, the ninth largest U.S. oil company, two years ago for nearly $7bn *(£4.4bn)—are exaggerated,* Mr Nazer suggested.

SOUTH AFRICA FORCED TO RESUME DIRECT RULE

Namibia Government falls

BY J. D. F. JONES IN JOHANNESBURG

MR DIRK MUDGE, the Chief *Minister of Namibia (South* West Africa) officially resigned yesterday as he had promised to do last week, causing the governing Council of Ministers' powers to lapse.

The immediate result will be to force the South Africans, through their representative in Windhoek, the Administrator-General, to resume "direct rule" of the territory with the help of a system of nominated committees.

Namibia has a complicated three-tier system of government with different governing bodies for "national", ethnic and municipal affairs. Mr Mudge's middle-of-the-road and multiracial party, the Democratic Turnhalle Alliance, has controlled the first tier since December 1979, but has lost control of a number of the ethnic second-tier bodies and has therefore found itself in *an awkward position.*

To complicate matters, the present Administrator-General, Mr Danie Hough, is due to relinquish his office at the end of this month and will be succeeded by a rising South African National Party politician, Dr Willie Van Niekerk, who has no previous experience of Namibia.

Meanwhile, the diplomatic future of Namibia remains as *obscure as ever, with the efforts* of the Contact Group of five Western nations to arrange international pre-independence elections apparently bogged down because the South Africans and the Angolans cannot agree on whether or not the Cubans should leave Angola.

Efforts are presently under way, thanks to the mediation of the Cape Verde Islands Government, to arrange a second meeting between Angolan and *South African Ministers (they* had a first meeting in early December in Cape Verde, but little is known of what was discussed).

The South African Government had earlier made it clear that it would decide at the end of February whether or not to let Mr Mudge and the DTA continue in office. Mr Mudge has therefore jumped the gun and freed himself to campaign on an *anti-South African platform.*

The South Africans must now decide whether or not to call "internal" elections at which it is certain that the South West African People's Organisation (Swapo), which is fighting a border war against the South Africans, would not participate, and which would probably be frowned on by the international community.

The South Africans and Mr Mudge have become increasingly disillusioned with each other during the past year, with Mr Mudge bitterly accusing Pretoria of impeding his efforts to develop a popular government that would not be seen as the stooge of apartheid.

Dirk Mudge . . . premise

Oman's oil offer 'withdrawn'

By Carla Rapoport

OMAN has apparently withdrawn offers of a discount on its oil price for the second time in a month.

Oil industry experts say that the country, which is not a member of the Organisation of Petroleum Exporting Countries (Opec), is awaiting the outcome of Opec talks in Geneva on Sunday before granting the discounts to European and Japanese buyers.

The offer of cheaper oil was originally mooted by Oman at the end of last year, but was postponed until the oil ministers of the Gulf Co-operation Council met in Bahrain last weekend.

Meanwhile, Hossein Mousavi, Iran's prime minister, has said that Saudi Arabia is trying to plunder the oil resources of the Islamic world for the benefit of the West.

Indian textile strike enters second year

BY K K SHARMA IN NEW DELHI AND R C MURTHY IN BOMBAY

THE STRIKE by 250,000 Bombay textile workers which has closed 60 mills yesterday entered its record-breaking second year with no end in sight. No effort has been made, by the Indian Government, the *millowners or the strikers* to bring about a compromise.

The textile workers are led by Dr Datta Samant, a militant trade union leader, who called on his followers to observe the anniversary as a "black day." He challenged the millowners to prove their claim that the strike is fizzling out.

The loss of production as a result of the strike is estimated by the millowners' association at Rs 11bn (about £700m). Some of the mills will never open again.

Millowners say that about 75,000 strikers have returned to work in 22 mills which are said to be running at least one shift each, a claim which is disputed by Dr Samant.

No negotiations have ever been held between the millowners and Dr Samant, largely at the *insistence* of the Government which has set out to break the labour leader's hold on large segments of workers in Bombay and other parts of Maharashtra state.

The workers are demanding a 50 per cent wage rise, but the length of the strike is caused mainly by their abhorrence of the Indian National Trade Union Congress (Intuc), the major union which supports Mrs Indira Gandhi's Congfress (I) Party.

The mill owners have maintained a fragile unity in spite of pressure from one group which wanted to reopen mills to reduce overheads.

S. Korean political bar to be lifted

By Ann Charters in Seoul

THE BAN on political activities by some former South Korean politicians will be lifted to advance national cohesion and unity, said President Chun Doo Hwan in his New Year policy *address to the National* Assembly.

About 560 people, including the heads of dismantled political parties, have been barred from engaging in political activity since President Chun assumed power in 1980. This measure, together with the December release of Korea's most prominent dissident, Kim Dae-Jung, for medical treatment in the U.S., appears to *signal* a *slightly more tolerant* stance towards opposition.

On the South Korean economy, President Chun indicated that through Government fiscal, monetary, and other policies regarding price stability, Korea should be able to obtain better results in 1983, *turning* present worldwide economic difficulties into an opportunity to catch up with the industrially advanced nations. Korea achieved 6 per cent growth in GNP in 1982, while holding inflation to less than 10 per cent.

The last major commercial bank will be denationalised and efforts are to be made to promote the independent operation of the *banking system* as well.

Nyerere has had to shelve ambitious plans for motor manufacturing, writes **John Kerr**, recently in Dar es Salaam

Foreign exchange blow shatters Tanzania's industrial dream

IN THE mid 1970s, Tanzania conceived a grandiose plan for a domestic motor industry. Exports were flourishing and industrial growth was brisk. The time looked ripe for the creation of a miniature African version of Detroit—several sectors all fed from local components manufacturers on the same new industrial estate.

The plan envisaged the production of passenger cars, light commercial and four wheel drive vehicles, heavy lorries, buses—even motor-cycles.

But in today's bitter economic climate, most of the plan has been shelved until Tanzania can afford to do something beyond short-term economic fire-fighting. As it is, it can barely afford to import the spares and raw materials which the motor industry badly needs.

The reasons why Tanzania's dream has been shattered mirror the problems facing the country's economy as a whole.

The state's heavy truck producer, the only part of the plan so far put into effect, is running at less than a third of capacity with little prospect of improvement. The future of the only other heavy vehicle assembler, the private company Leyland Albion (Tanzania), is in *jeopardy. Components* makers are few. Two case studies illustrate the problems:

- Tanzania Automobiles Manufacturing Company (Tamco) is the state-designated heavy vehicle builder, assembling about 350 Scania trucks and a few buses a year on the new industrial estate 35 km outside Dar es Sallam, the capital.

Swedish manufacturer Saab-Scania holds a 10 per cent equity stake and provides the expertise.

As with most local assembly, it saves the country some foreign exchange; about 10 per cent-12 per cent less goes to *buy kits of parts* than if complete Scanias were imported. This conserves roughly $1.5m (£950,000) annually at present production rates.

- Leyland Albion—like Tamco —builds from kits, producing about 240 buses and some heavy trucks yearly. It also handles Leyland spares and servicing at its base in Dar-es-Salaam. The company is wholly owned by BL Holdings.

But foreign exchange shortages give Leyland Albion two headaches. It may have to stop assembly of new trucks and buses in mid-1983 if it cannot soon obtain hard currency to buy parts kits.

More worrying for the company—and for Tanzania as a whole—is a nationwide shortage of Leyland spares. The company *received no allocation of foreign* exchange for parts during the whole of last year.

By next summer, stocks are expected to have dried up, gradually stranding the Leyland buses which provide most of the country's passenger transport. Already services are strained; out of three bus journeys taken by the Financial Times, two ended in breakdown far out in the bush.

The shelving of the vehicle industry plan adds another anxiety for the future. Although Leyland Albion has been earmarked as the partner for the four-wheel drive vehicle *sector, the Japanese, already so* successful throughout Africa, are showing interest in stepping in where Leyland might fail.

By contrast, Tamco breathes more freely beneath its parastatal umbrella. But it too is feeling the draught. Since production began in January 1982, the purpose-built factory has run at about 30 per cent of its 1,200 units annual capacity.

However, an expected gap in early 1983 production schedules has been plugged by the eleventh-hour arrival of Tamco's tranche of hard currency from the Central Bank. The sum—the *amount of which is undisclosed* —enables the parastatal to order parts kits from Sweden in advance. But the allocation is smaller than expected, meaning lower production levels for 1983 if additional hard currency is not granted.

The malaise is country-wide; factory closures are now commonplace. In the wake of President Julius Nyerere's speech at his Revolutionary Party of Tanzania congress last October they will undoubtedly escalate. Mr Nyerere emphasised that foreign exchange for industry would be distributed among fewer factories, preferably export-oriented, *so* that these could operate nearer capacity.

Recently, a textile mill closed, putting 3,900 workers on "compulsory unpaid leave." Just down the road from Tamco lies an empty cashew nut processing plant, closed only weeks after opening.

And last November the General Tyre plant shut its gates for the second time in a year, a move which hurts Leyland Albion and Tamco directly.

All these companies are being crippled by a dearth of dollars to pay for spares and raw materials. Dwindling foreign reserves paint a bleak picture: down to around $15m — just a few days' import cover — from a healthy 1977 stock of $250m.

Coupled with a cumbersome bureaucracy, *this* has dragged industrial output down from more than 10 per cent of gross domestic product in 1977 to just 5.8 per cent last year. With foreign debts at around $2.5bn plus a $500m trade deficit, prospects for recovery remain poor.

Although the World Bank last November lifted the suspension of project funding frozen since June, nothing similar has come from the *International* Monetary Fund, which scrapped its proposed $250m loan programme last year because Tanzania felt the conditions were inappropriate. So all efforts now centre on solvency, not growth.

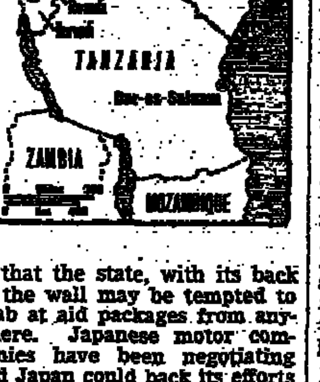
At the party congress, Mr Nyerere emphasised that no new cars will be imported. "We shall concentrate any foreign exchange we have for transportation on the purchase of spare parts, with priority given to lorries, bicycles and motor cycles — in that order," he ruled.

For Leyland Albion this is some consolation in that it may assure its spares and servicing role. Of more concern is the uncertain outcome of a renewed application to Britain's Export Credits Guarantee Department (ECGD) for underwriting £5m worth of vehicle kits from BL's British plants.

The ECGD rejected the first application in the light of Tanzania's dismal economic outlook: terms are now restricted to strictly confirmed irrevocable letters of credit.

Failing that, Leyland Albion has little choice but to seek aid finance, possibly from EEC sources. A $15m EEC programme has just started to "rehabilitate" 600 stranded vehicles and to complete bodies on 700 more.

As for its hopes as Tanzania's four wheel drive vehicle producer, Leyland Albion's dread



is that the state, with its back to the wall may be tempted to grab at aid packages from anywhere. Japanese motor companies have been negotiating and Japan could back its efforts with an irresistible soft loan.

Mr Bruce Whirtle, Leyland Albion's managing director, warns: "The Japanese would love to get in here with the Toyota Land Cruiser — that's the one worrying us now."

With at least two years before the motor industry master plan can start rolling again, the Japanese have plenty of time.

Queensland in river aid call

By Colin Chapman in Sydney

FEDERAL Government aid is being sought by Queensland's state premier, Mr Jo Bjelke Petersen, for an A$1.4bn (£838m) scheme to reverse the flow of three rivers, to bring permanent relief to part of the Australian state's drought-stricken interior. A preliminary study, published this week, *said the scheme was "physically* possible."

The scheme is being proposed by engineering consultants, Cameron McNamara who say that although possible, costs will be high.

Mr Bjelke Petersen will meet the Prime Minister, Malcolm Fraser, for talks on the plan in Canberra next week. It involves turning the flow from the Tully, Herbert and Burdekin rivers so that their waters move inland instead of into the Pacific ocean.

TECHNOLOGY

EDITED BY ALAN CANE

THE FUTURE OF THE COMPUTER AIDED DESIGN CENTRE IS ALMOST DECIDED

Cambridge Centre should fetch £10m

BY RAYMOND SNODDY

TALKS have already begun with potential buyers of the Cambridge Computer Aided Design Centre, the Department of Industry-run body which is the leading research organisation of its kind in the UK.

The centre is scheduled to be sold to the private sector in April. Although it is difficult to put a price on an organisation whose greatest asset is probably the expertise of its staff, the centre will probably fetch in the region of £10m.

Mr Kenneth Baker, Minister for Information Technology, said last March that it was time that the centre, set up by the old Ministry of Technology in late 1968, became a fully commercial organisation.

Mr Percy Hammond of the centre said: "There has been widespread interest from computer companies both in this country and the U.S. and from companies in the engineering field which recognise the value of CAD and from British venture capital funds."

The Cambridge CAD centre specialises in applying computer techniques to industrial design, manufacturing and testing. It is probably best known for software—often produced with industrial partners—for mechanical and electrical draughting, to produce tape for numerically controlled machine tools and to design complete process plant.

Mr Percy Hammond, head of the CAD Centre, with Mr Fred Chiles, its marketing and sales manager, in front of a twin screen Diad 2D draughting system: "There has been widespread interest in the Centre," Mr Hammond says

Mr Hammond, one of six civil servants on the staff of 150, said he believed that the Centre could succeed as a stand-alone operation in the private sector.

Negotiations are still continuing but the Department of Industry believes that the Centre should be controlled by British interests and that its well-defined identity should not be submerged within a single large company.

Ownership

What is likely to emerge is that three, or possibly four groups, will share ownership of a research institution which has been becoming more commercially orientated over the years. Because of the nature of its products it has always been closely involved with industry.

The percentage of running costs covered by sales has been rising and now stands at 50 per cent—£2m a year towards total costs of around £4m.

The new ownership mix that is being sought would represent computer manufacture, users in the manufacturing or process plant industry and venture capital. Within the groupings there could be more than one company or financial institution so that the equity is likely to be widely spread. An obvious candidate for the computer manufacturing group would be ICL which has been involved with the Centre almost from the beginning. Apart from the civil servants all the Centre staff are technically ICL employees.

In addition, or more possibly an alternative, Prime Computer of the U.S. has recently taken on contractual relationships with the CAD Centre by buying Compeda of Stevenage which is responsible for marketing some of the most important Centre products such as Plant Design Management Systems (PDMS). Prime has expressed an interest in some of the equity of the Centre which uses Prime mini computers.

A prospectus for the Centre is being drawn up by Hambros Bank and will be sent to interested companies.

The sale is likely to involve Department of Industry stipulations to protect the interests of those who have bought Centre products while it was a Government-funded research institution.

Positive

Mr Fred Chiles, sales and marketing manager of the CAD Centre, said that the staff have over the past year been reorientating themselves mentally for the passage to the private sector and most are positive about the proposed change.

An informal poll produced a clear majority in favour of privatisation.

A business plan is being drawn up designed to take the Centre to financial self-sufficiency within two years. Already the number of direct salesmen has been increased from three to ten and, rather unusually for the public sector, have been given company cars, put on commission and told to get out on the road and sell.

The amount of bespoke work for individual companies—such as the three dimensional representation of a last for shoe design produced for Clarks—will be reduced. Although such projects were costed commercially, Mr Chiles points out: "It's high risk and at the end you don't have a product that you can sell."

The Centre is going to concentrate more single-mindedly on its most commercially successful products—the range of software for the process plant and manufacturing industries. In both cases research is being concentrated on new products—some to be announced this year—to fill in gaps and produce fully integrated design systems.

For large scale plant, such as oil refineries or nuclear power stations, the aim is to have an integrated range of programmes which would take the designer from original conception to a finished design that could be built from.

"We think we are well placed for privatisation. We have existing products already making money and new products on the way," Mr Chiles said.

The Cambridge CAD Centre was set up with 20 people and an Atlas computer (the UK's famous commercial mainframe) in part of an old aircraft factory in the days when Mr Anthony Wedgwood Benn was Minister of Technology.

"The whole thing was set up 10 years before the market was ready for it. It was absolutely fantastic—a gamble that has really paid off," said Mr Brian Gott, who joined the Centre early in 1969. He is now head of the Centre's Consultancy Service, which gives independent advice on CAD to companies and operates as a separate unit.

The CAD Centre Consultants also run the Government-sponsored awareness and experience centres where managers can get a feel for what computer-aided design can do. Mr Gott has about 10 companies—between 30 and 40 individual managers—a month attending his CAD awareness presentations. He believes that there is tremendous pent-up demand for computer-aided design which will turn into orders when recession ends and companies turn to high technology to meet rising demand for their products.

● The way in which computer systems are being integrated to give rise to the "electronic factory of the future" is shown by a new release from Counting House Computer Systems of its Integrated Business System, IBS, which runs on the same computer hardware as its existing CAD/CAM system Integrated Technical System, ITS.

Both systems run on Prime computers under the Primos operating system and an ITS user with a small Prime machine can now run drafting NC tape preparation and business systems on the same computer. Counting House is a member of the Cope Allman Group.

PERSONAL COMPUTERS

IBM's sprat goes hunting mackerel

THE IBM Personl Computer (PC) launched in the UK today, is to all intents and purposes identical to the machine which has been available in the U.S. for the past two years.

Mr Alan Wood, managing director of Digitus, one of the five authorised dealers in the London area, said: "We have compared the Europeon version with an imported U.S. model and have not been able to discover any real differences."

The European model being built at Greenock will, of course, run on 240 volts rather than the U.S. 100 volts.

What IBM describes as the minimum self sufficient system can be had for £2,080.

That buys the processing unit, the keyboard, 64 thousand bytes of fast memory and a 160 thousand byte floppy disc drive, together with a monochrome display.

A typical larger system, according to IBM, would cost £3,442 and would include the keyboard, 128 thousand bytes of fast memory, two 329 thousand byte floppy disc drives, a monochrome display and a printer in addition to the processing unit.

An additional 64 thousand byte fast memory module costs an extra £145; a second 320 thousand byte disc drive costs £407.

The machine seems to justify the high regard it has won in the U.S. although inevitably some of the PC look alikes are believed to have a better performance at a better price—especially the Sirius 1 computer developed by Mr Chuck Peddle, designer of the Commodore Pet, the first personal computer to be marketed effectively as a commodity.

It is generally thought that the PC is light on fast memory—it starts at only 64 thousand bytes, compared with 128 thousand on the Sirius and has too low a disc capacity for some big business applications.

The PC is also thought to be weak on software compared to some of the competition.

Its word processing software is said to be inferior to some of the products now in the marketplace although the cynics suggest that IBM has too much invested in its word processing "Displaywriter" system to want the PC to offer a significant challenge

On the other hand, there is a growing belief that MS/DOS (of which IBM's PC/DOS is a modified version) will become the industry standard operating system for 16-bit microcomputers.

The PC has the communications capability to be attached to large IBM mainframes. If bought by companies for their executives in large enough numbers, the interesting possibility is raised that the company might have to invest in higher central processing power to cope.

DISC MEMORY

Format agreement

The growing importance of the "microfloppy," a flexible plastic memory disc, in the personal computer world is underlined by an agreement on standardisation between 13 leading U.S. and Japanese disc drive manufacturers.

The agreement spells out the format for these miniature computer memories for which Sony of Japan expects a demand of between 400,000 and 500,000 this year.

The standardisation of format will help to reduce costs and expand the potential market for the discs.

The 13 firms are Atari, Athana, BASF Systems Corporation, Media Systems Technology, Shugart Associates, EM Company, Verbatim Corporation, Wabash Datatech, Xidex, Fuji Film, Sony and TDK Electronics.

Sony led the way with the 3.5 inch microfloppy which is now used by both Hewlett Packard and Computer Devices in their latest personal computer offerings. Now Shugart, a leading U.S. manufacturer of floppy disc drives has announced its own version.

It will be possible eventually to store 1m bytes on a microfloppy, with today's technology Shugart believes and its achieves the same transfer rate as a conventional five inch minfloppy.

Robotics

Pendar to sell in N. America

PENDAR ROBOTICS, the South Wales based company, has reached agreement with the Canadian company Can-Eng to distribute Pendar's Placemate electropneumatic robot throughout Canada and parts of New York State.

The Canadian company is said to have chosen Placemate because of its good combination of speed and lift and because it is well suited to materials handling applications.

At the same time Pendar has announced that it has sold a Placemate to Japan. But patience was needed says the company; negotiations were started in April of last year and are still proceeding. Apparently the British robot has filled a slot in an otherwise crowded Japanese market place: there is a need for a pneumatically driven unit of Placemate's specification.

Telecomms

Hasler's new receiver

NOW available in this country from radio paging specialists Tele-Nova is the Hasler DS 2000 receiver with multi-digit liquid crystal display.

The unit, which weighs only 68 grammes, is part of an induction loop system offering standard tone paging and one way speech transmission. It can be used with most PAX/PABX telephone exchanges.

A newly designed transmitter with microprocessor control allows 4,000 selective calls and also permits group calling, call diversion, absence diversion and up to 68 signal or alarm inputs. More on 01-692 9816.

UK NEWS

PUBLIC NOTICES

BARNSLEY M. B. BILLS

£2.85m Bills from 19.1.83 to 20.4.83 at 10 21/32%. Applications £14.25m. £5.6m outstanding.

CANNOCK CHASE DISTRICT COUNCIL

£260,000.00 Bills issued on 19 January 1983 at a rate of 10 21/32% to mature 20 April 1983. Total applications were £260,000.00. There were £1,300,000 outstanding

CLWYD COUNTY COUNCIL

£2m Bills issued 18.1.83 due 19.4.83 at 10 21/32%. Total applications £10m. Outstanding £6m.

THE FIFE REGIONAL COUNCIL

£2,000,000 Bills issued on 19 January 1983 at a rate of 10 53/64% to mature on 20 April 1983. There were £12,000,000 applications and £4,000,000 outstanding.

GLASGOW DISTRICT COUNCIL

Bills issued 19.1.83 £3.5m at 10 53/64% maturing 20.4.83. Applications £31.5m. Bills oustanding £21.5m.

GRIMSBY BOROUGH COUNCIL

£350,000 Bills issued on 19 January at a rate of 10 55/64% to mature on 20 April 1983. Total applications were £1,750,000 and there were £350,000 outstanding.

NORTHAMPTONSHIRE COUNTY COUNCIL

£10,000,000 Bills issued on 19 January 1983 at a rate of 10 21/32% to mature 20 April 1983. Total applications were £60,000,000 and there were £10,000,000 outstanding.

STRATHCLYDE REGIONAL COUNCIL

£9,000,000 Bills issued on 19 January 1983 at a rate of 10 11/16% to mature 20 April 1983. Total applications were £82,000,000 and there were £36,000,000 outstanding

OFFICIAL NOTICE

The loss has been reported to use of the following London Metal Exchange Warrant, and we have been asked to issue a duplicate Warrant:
Warrant: 260153 10 Bars Silver, Brand: BOR. *Weight: Troy Ounces 9,595.83*
Anyone claiming to be entitled to these goods is invited to enter protest by means of Summons against the delivery of the goods, or the issue of a duplicate Warrant.

S. STEINWEG, N.V.,
P.O. Box 1068,
Willemskade 20,
Rotterdam 2.

ART GALLERIES

CRANE GALLERY, 171a, Sloane St. (1st Floor), SW1. 01-235 2464. Perhaps the most original gallery in London. Early *19th century English and American* pictures and furnishings with lasting value and merit. Daily 10-6; Sats 10-4.

FIELDBORNE, 63, Queens Grove, NW8. 01-586 3600. LARGE LANDSCAPES & TOWNSCAPES. Lr. gallery Scottie Wilson.

LEFEVRE GALLERY, 30, Bruton St., W1. 01-493 1572/3. CONTEMPORARY PAINTINGS ON VIEW. Mon.-Fri. 10-5 and Sats. 10-12.45.

PARKIN GALLERY, 11, Motcomb St., London, SW1. 01-235 8144. CECIL BEATON MEMORIAL EXHIBITION until 18 Feb.

WHITECHAPEL ART GALLERY, E1. 01-377 0107. Tube Aldgate East. Last day tomorrow. BARRY FLANAGAN/FRANCESCO CLEMENTE. 11-5.50. Free.

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

POLITICAL HITCH DELAYS NAMING WHITEHALL SUCCESSOR

Hold-up on top efficiency job

BY ROBIN PAULEY

MOVES to appoint a successor to *Sir Derek Rayner to head up the* team responsible for improving efficiency and effectiveness in Government departments have run into political trouble.

The front-runner to take over is Sir Frank Cooper, 60, recently retired Permanent Secretary at the Defence Ministry, a choice believed to be strongly favoured by Sir Derek himself.

Sir Derek left the day-to-day running of the efficiency unit bearing his name in mid-December, having told Mrs Margaret Thatcher, Prime Minister, several months earlier that he would have to return to his job as joint vice chairman of Marks and Spencer. Sir Frank also retired in December.

Mrs Thatcher apparently never really accepted the certainty of Sir Derek's departure until the day it happened and, therefore, made no moves on a successor. Since then, behind the scenes political moves have thwarted Sir Derek's desire to see a successor appointed.

In addition, he failed to secure the principle that the Rayner unit should be led by a deputy secretary rather an under secretary in the *Management and Personnel Office* (MAPO).

Lady Young, Lord Privy Seal and Cabinet minister responsible for the day-to-day running of the Civil Service, is opposed to the appointment of another outsider, feeling that the unit and MAPO, her department, should be responsible for Whitehall efficiency.

But Sir Derek holds the view strongly that unless an outsider with full support from the Prime Minister and direct access to her, as he had, is appointed to give an independent charge to the unit, its work will always be vulnerable to either political or Civil Service interference.

Sir Frank Cooper has many suitable credentials for the job. Mrs Thatcher admires him. As a recently retired Permanent Secretary he

Sir Derek Rayner: aim thwarted

is now an outsider, but one who knows the inside intimately. He does not have the sort of business background which would invite permanent comparisons with Sir Derek.

He was also one of the few Permanent Secretaries who identified himself firmly with the spirit and intentions of Sir Derek's efficiency scrutinies.

He made a start at trying to introduce financial and management accounting systems into the large, unwieldy Defence Department, and holds no brief for the view that the traditional Civil Service way of life should be perpetuated.

Mrs Thatcher may not consider the appointment of a successor to Sir Derek until after a general election, assuming she wins. By this time some of the steam may have gone out of the Rayner scrutinies.

But Mrs Thatcher remains determined to continue her campaign for a smaller and more efficient Civil Service, which will have been cut by 14 per cent to 630,000 April 1984.

The Government is considering the implications of a further cut of 5 per cent and 10 per cent, before including one of these options in its election manifesto.

Legacy of an efficiency expert, Page 14

Approval sought for lower London fares

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

HIGH COURT approval was sought yesterday by the Greater London Council (GLC) for a new plan to reduce the level of public transport fares in London.

The GLC contended that the plan was legal because it was intended to promote an integrated, efficient and economic transport system for the capital at the minimum practicable expense to ratepayers.

The plan would result in an average 25 per cent *reduction in fares* and involve an increase of about £100m in the subsidy paid to London Transport.

An earlier attempt by the GLC to cut the level of fares foundered in the courts. The GLC's "Fares Fair" scheme was introduced in October 1981, but challenged by the London borough of Bromley because of the extra burden placed upon ratepayers. The House of Lords ruled the scheme to be illegal in December 1981.

The issue has again come to court as a "friendly" action between the GLC and London Transport because the latter, although anxious to reduce fares, has been advised that the new plan would not be lawful.

Mr Roger Henderson, QC, for the *GLC*, told the three judges in the Queen's Bench Divisional Court that the effect of the plan would be to return fares to a level comparable to that before the introduction of "Fares Fair". The subsequent House of Lords ruling was that London Transport had a statutory duty to provide an intergrated, efficient and economic system.

Mr Henderson said that there haD been great uncertainty about the ruling, and the GLC had at first been advised to adopt a particularly rigorous interpretation. That had necessitated a doubling of the fares, which resulted in the transport system's being markedly under-used. The GLC then received a written opinion of the Attorney General that a subsidy exceeding £100m would be lawful.

He acknowledged that London Transport had a duty to break even financially "so far as it is practicable." But that phrase was not the same as "come what may," he said. The new scheme was a balanced plan halfway between "Fares Fair" *and a break-even situation.*

Mr John Drinkwater, QC, for London Transport, said that the GLC's approach was wrong. He suggested that, first, fares had to be maximised, and then a policy formulated.

The hearing continues today.

هكذا من الاصل

WE'LL HAPPILY INTRODUCE YOU TO THE EIGHTH.

Laying claim to the title does, we know, invite criticism.

Yet it would be hard to name anything that's more deserving than the revolution in international telecommunications technology.

Not only is it producing achievements which give the world plenty to talk about, it goes one better.

It actually benefits business.

And no one more so than the businessman with overseas offices to keep tabs on.

At last, he's able to communicate with even the most far-flung outpost.

He can transmit or have immediate access to huge wodges of information.

He can take action in, say, London. And down in Hong Kong, they'll know he's taken it. In seconds.

The means to do this (and more besides) is the direct result of a revolution in international telecommunications.

A revolution, we at British Telecom International, helped to make happen.

A revolution that we've turned into practical reality. As the services described below indicate.

Through Telex Plus Store and Forward, an operator can now forward a message to a computer which holds it for her, then transmits it as soon as the lines become free.

To anything up to 1,032 destinations automatically.

Through the International Packet Switching Service, data can now be sent office-to-office around the world almost instantly. And, significantly, from computers operating at different transmission speeds.

Through SatStream, our satellite based system, it will soon be possible to transmit the equivalent of a plane-load of computer data, plans and facsimiles across Europe. In minutes.

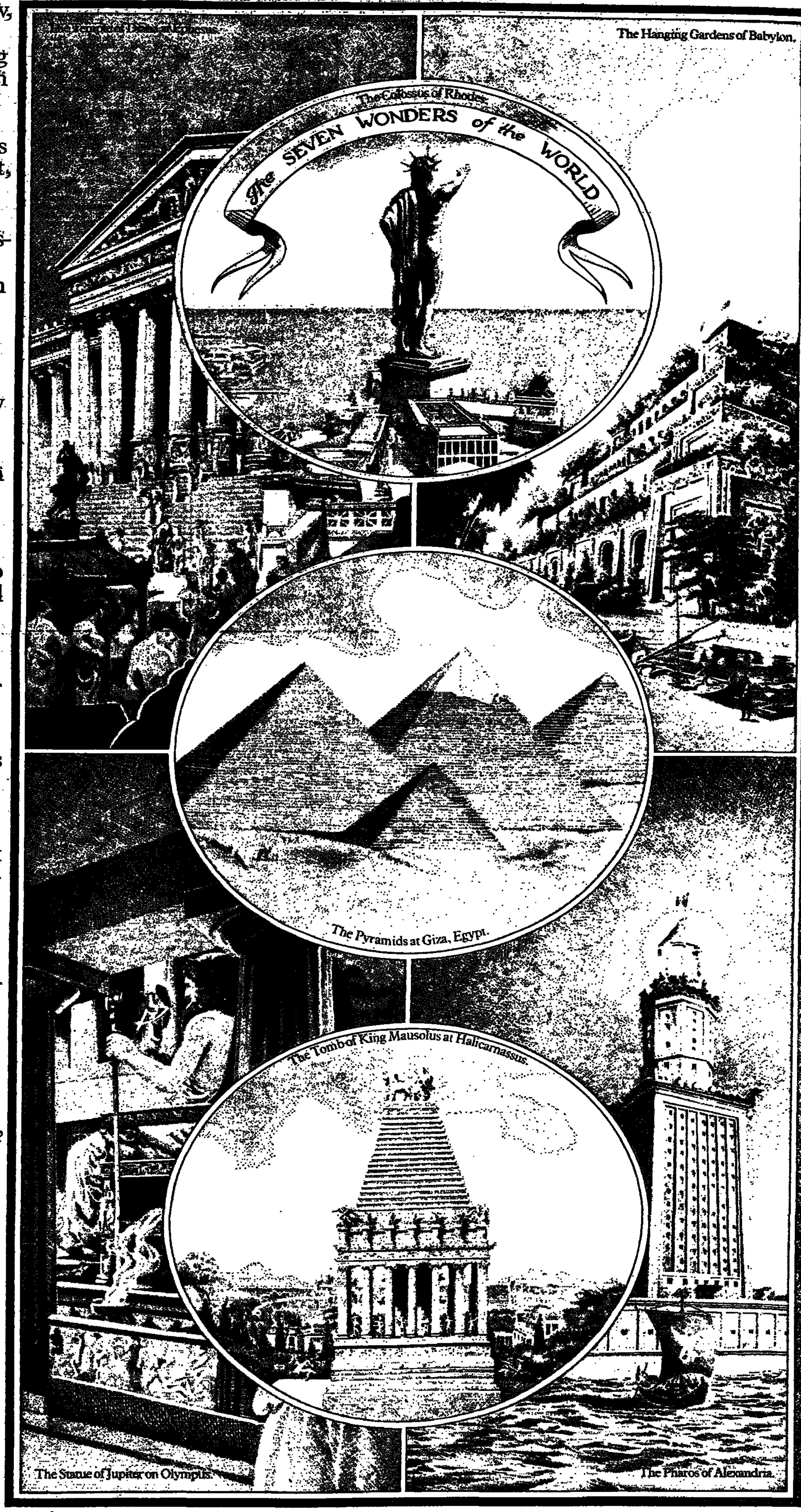
And through the Maritime Satellite Service, not only can instant contact be made with a ship anywhere in the world, even day-to-day issues, like the crew's wages, can be handled by a computer thousands of miles away.

These services are examples of what we can do to sharpen your international business communications.

Give Paul Edwards a call on 01-936 2164 and we'll demonstrate what we could do for your business in particular.

Who knows, we could achieve wonders.

BTI
British TELECOM International
The International Division of British Telecom



APPOINTMENTS

Westland re-organisation

There has been a re-organisation of responsibilities for top management of the WESTLAND group. Mr A. V. N. Reed has joined the board of Westland and Sir John Treacher, a non-executive director since 1978, has accepted the executive appointment of group director (marketing).

A group management board has been formed to assist the chief executive and the following have been appointed to it: Mr J. W. Bower (manufacturing and employee relations); Mr A. R. B. Hobbs (personnel and administration); Dr J. P. Jones (new business); Mr M. Jones (programmes); Mr W. T. C. Miller (Normalair-Garrett Holdings); Mr Reed (operations); Mr V. A. B. Rogers (engineering); Mr R. Stanton-Jones (helicopter and hovercraft business); Mr H. P. Stewart (finance and industrial business); and Sir John (marketing). All are group directors.

In subsidiary company management at Westland Helicopters Mr Reed has been appointed managing director and Sir John and Mr Stanton-Jones have been appointed vice-chairman. At British Hovercraft Corp. Mr Reed has been appointed managing director and Mr Stanton-Jones deputy chairman. At Normalair-Garrett Mr Miller has been appointed deputy chairman, responsible for new business development, marketing and the overseas companies in Normalair-Garrett Group. Mr P. D. Purdy has been appointed managing director of Normalair-Garrett.

Sir Eric Mensforth and Sir Christopher Hartley are to retire as directors of WESTLAND at the annual meeting on February 9. Sir Ronald Melville will resign as a director on the same date. Sir Eric joined the board in 1938 and was chairman from 1953 to 1968. He will remain president and continue to attend board meetings.

*

COLT INTERNATIONAL has appointed Mr Martyn Wylie as managing director to succeed Mr F. W. Price who is retiring. Mr Wylie, who has been with Colt since 1964, was marketing director.

*

Mr Francis Karam has been appointed manager of the BEIRUT RIYAD BANK'S new West End branch. He joins the bank from SCF Finance Company where he was managing director. Previous posts include manager for SOCOFI in Geneva and manager for the Middle East Banking Company in Beirut.

Professor George P. McNicol, principal of the University of Aberdeen, has been appointed a member of the Aberdeen local board of the BANK OF SCOTLAND.

*

Mr Pehr G. Gyllenhammar will be joining the board of S. PEARSON AND SON as a non-executive director from February 1. Mr Gyllenhammar is chief executive officer of the Volvo group. He is also vice-chairman of the Aspen Institute and a member of the international advisory committee of the Chase Manhattan Bank as well as being a member of the boards of Skandinaviska Enskilda Banken and United Technologies Corporation.

*

Mr F. A. Bicknell has joined NOEL ALEXANDER as a consultant, to be primarily involved in international banking and executive selection. He was an assistant general manager at Midland and International Banks and is curently a director of Emerson Associated, specialist advisers in countertrade and compensation trading.

*

Mr Gerry Draper has been appointed adviser—international sales and marketing for Avis in Europe, Africa and Middle East. In December Mr Draper retired from the board of British Airways where he was managing director, intercontinental division, chairman of British Airways Tour Companies and British Airtours.

*

Mr Ronald Williams has been appointed managing director of EDWARD MANSON AND COMPANY, banking division of Manson Finance Trust.

*

Chairman of Lopex

Mr David L. M. Robertson has been appointed a director and chairman of LOPEX, a marketing communications industry leader. Mr Robertson is chairman of MK Electric Group and Provident Mutual Life Assurance Association. He is also a director of Berry Bros and Rudd, The Rouse Company (U.S.) and Kleinwort, Benson, Lonsdale.

*

GEO. HOULTON & SONS (HOLDINGS) has appointed Mr G. H. Houlton, Mr G. D. Ford, Mr R. Mason and Mr J. Slade as directors of Geo. Houlton & Sons, building and contracting company of the Houlton Group. Mr F. W. Bright (managing) and Mr David Houlton are appointed directors of Geo. Houlton & Sons (Plant and Transport). These appointments follow the retirement of Mr George Houlton and Mr Dick Houlton, both of whom remain on the holdings board. Mr D. G. Robson has been appointed company secretary to the three trading companies in addition to his present appointments to the holding company.

*

Mr Graham Kenward has been appointed sales director of TARGET LIFE—a subsidiary of J. Rothschild and Co. He was previously national sales manager of Barclays Life Assurance.

*

Mr Peter A. Tett has been appointed divisional chief executive of the security division of HALMA.

*

LIN PAC PLASTICS (GB) has appointed Mr Allan Appleton as managing director of Nationwide Packaging Distributors. He was managing director of Lin Pac Machinery Services, but will remain a director.

*

Mr F. C. Thackwray, director south west region, International Computers, has been appointed director, management services of the AUTOMOBILE ASSOCIATION and will take up his new post in February.

*

Senior posts at Sun Life

Mr Peter J. Grant has become chairman of SUN LIFE ASSURANCE SOCIETY following the retirement of Mr Philip G. Walker, as foreshadowed last August. Mr R. M. M. Pryor, becomes deputy chairman in succession to Mr Grant, and Sir Godfrey Agnew, is made vice-chairman.

*

Mr Norman Whalley has been appointed parts director of FIAT AUTO (UK). He will be based at Fiat's parts operation at Warrington and succeeds Mr G. Leonelli. Mr Whalley joins Fiat from ITT Automotive Components in Italy.

*

Mr Brian Hughes has been appointed a director of HOLTS BLENDS, a wholly-owned subsidiary of Carless, Capel and Leonard. Mr Hughes, previously marketing manager, will continue to manage this area in addition to his responsibilities as a director.

*

Mr C. J. R. Sharman has given up his partnership with Montagu Loebl Stanley and Company to become managing director of BROWN SHIPLEY DEVELOPMENTS. He will remain a consultant to Montagu Loebl Stanley and Company.

Chairman designate for Wimpey

Sir Reginald Smith, chairman of GEORGE WIMPEY, has retired. Mr Clifford J. Chetwood, chief executive, has been appointed chairman designate.

*

Dr David Hartley, director of Cambridge University's computing service, has joined the DEPARTMENT OF INDUSTRY as a special adviser on information technology matters. He will advise the Department on IT matters generally, with particular reference to following up the Alvey Committee Report, "a programme for advanced IT," and also to educational computer software. He will work closely with Mr Kenneth Baker, Minister for Information Technology. Dr Hartley is a member of the Prime Minister's Advisory Panel on IT.

*

Mr Archibald B. Murray, general manager (London) will retire from the ROYAL BANK OF SCOTLAND on February 28. He will be succeeded by Mr Ian Sinclair, at present manager at the bank's London, Drummonds branch. Taking over as manager at Drummonds is Mr George Macdonald, currently a manager at Lombard Street. Further changes have also taken place at Lombard Street office where Mr John A. Barclay, manager, has been appointed chief City manager. Mr John Cameron, senior assistant manager at the office, has been appointed deputy chief City manager and Mr William H. Brown, Mr John M. Irving and Mr William F. Robertson, assistant managers, have been redesignated managers, as has Mr Alastair R. Gemmell, who was an advances controller with the officials' personal staff in London.

*

Mr Michael Fetherston-Dilke has been appointed chairman of WREKIN CONSTRUCTION CO., a subsidiary of The British Electric Traction Company. The appointment is part of reorganisation resulting from the recent sale of a majority interest in Murphy Bros., previously Wrekin Construction's parent company. Mr Fetherston-Dilke is an executive of the BET Group. He holds a number of other directorships in the organisation including the chairmanship of its waste-disposal activities.

*

Mr Michael J. Rowlands has been appointed a vice president of THE FIRST NATIONAL BANK OF BOSTON. Based at the bank's European headquarters in London, he will be responsible for vendor leasing operations. He was vice president of Security Pacific International Leasing.

CONTRACTS

£4.5m instrument orders for Babcock-Bristol

BABCOCK-BRISTOL—a member of the Babcock industrial and electrical products group—has gained £4.5m contracts from the Central Electricity Generating Board and the South of Scotland Electricity Board for the Heysham 2 and Torness nuclear power stations. The contracts have been awarded by the CEGB, SSEB and National Nuclear Corp for the supply, installation and commissioning of monitoring and control equipment. The contracts are to be handled by the company's power and water division at Croydon. Babcock-Bristol is supplying its Series 4 equipment to both stations, and a UCS microprocessor system to Heysham. Due for completion during the 1980s, each station will operate two 660 MW reactors and turbo-generators.

*

W. H. ALLEN, part of NEI-APE, is supplying nine marine auxiliary diesel engines and ancillary equipment worth £1.4m for three bulk carriers being built for service on the Great Lakes. The order was obtained from Canada Steamship Lines, Montreal, by APE Canada, Toronto, and the vessels are being built by Collingwood Shipyard. Two of the bulk carriers will have three 8-cylinder 720 r/min Allen type S12-F engines driving 850kW alternators and the third ship is to be equipped with three 6-cylinder engines driving 600kW alternators. Lining up and combined testing of the alternators, supplied under a separate order, are included in the contract price.

*

NEI INTERNATIONAL COMBUSTION has won an order worth £1.5m to convert three boilers owned by ICI from oil to coal firing. The conversion at ICI's Stevenston works in Ayrshire takes advantage of the Department of Industry coal-conversion grant. A major part of the manufacturing work necessary will be carried out in Derby.

*

American Express has signed a £2m contract for three high speed TRACE I document readers from RECOGNITION EQUIPMENT. These systems are to be installed at its European headquarters in Brighton during 1983. American Express already has 15 TRACE I systems installed in the U.S. and Canada to handle its North American operations.

The Ministry of Defence has ordered a Cray-1S computer system from CRAY RESEARCH INC U.S. for the Royal Armament Research and Development Establishment at Fort Halstead, Kent, for delivery in February. Total cost is around £5m. The computer will be used mainly to exploit the powerful computational techniques now available to advance the penetration performance of missile warheads, guns and weapon systems generally. It represents a very substantial increase in computing power and in addition to advancing technology, will reduce demands for costly trial firings on Ministry of Defence ranges.

*

A £1m contract for the provision, installation, acceptance testing and commissioning of an enhanced standard B earth station at Goonhilly Downs, Cornwall, has been awarded to PLESSEY TELECOMMUNICATIONS by British Telecom International. The system will interwork with INTELSAT IV, IVA, V, VA and subsequent satellites. It will have a 13 metre dish antenna and equipment will be housed in an adjacent purpose-built cabin. The station is designed to transmit and receive 2 colour TV channels (sound and vision) at either 625 or 525 lines and is capable of being extended to handle a further 2 TV channels. The scheduled date for handover to BTI is June 15.

*

THE TILBURY GROUP has received contract awards approaching £2m. The most important is a £405,000 order from Prudential Assurance Co for a badminton hall, two-storey extension and internal alterations at the Ibis Sports Centre in Reading.

Three jobs, each in the region of £280,000, cover extensions to Colstaple Reservoir, Horsham for Southern Water Authority; conversion of a redundant warehouse into factory units at Bridport, Dorset, for English Industrial Estates Corp and for the Borough of Bournemouth, three timber groynes.

Reconstruction and resurfacing of Crane Hill, Ipswich (A12) has been placed with Tilbury Roadstone by Suffolk County Council and is worth around £200,000. The balance of work is made up of car parks, paving, surfacing, a private estate road, a pedestrian underpass and for the Property Services Agency, refurbishment of galleys at two naval establishments.

*

KENMORE REFRIGERATION EQUIPMENT has signed a £2m contract to provide the Meaptashi (Gulf) Corp with pvc/nitrile rubber insulation material. The product, called Insul-Tube, is made at Kenmore's UK base in Crook, Co Durham.

UK NEWS

Labour to press early debate on rail report

By Hazel Duffy, Transport Correspondent

LABOUR MPs will be pressing for an early debate on the report of the Serpell Committee into the future of British Rail, which is expected to be published by the Government tomorrow.

Mr David Howell, Transport Secretary, has now received the initial response of the Board of British Rail to the Serpell report, and the minority report of Mr Alfred Goldstein.

The tone of the board's response is largely critical of the two reports, which it describes as a "disappointment". But it also seeks to extract those aspects of the reports which it sees as more positive, and will call upon the Government to incorporate these into a new policy for the railways.

The most encouraging of these are the requirement for the Government to make an early statement on the size of the network, and the recognition by Serpell that transitional finance will have to be provided by the Government to help British Rail to achieve greater efficiencies and cost cutting.

But the formal response of the board takes issue with much of the criticism contained in the reports on British Rail's planning procedures and standards of engineering. The suggestion by Serpell that the arrears of track renewal and maintenance frequently referred to by British Rail do not, in fact, exist, could be very embarrassing for Sir Peter Parker, BP chairman.

Thatcher pledge on missiles control in UK

BY KEVIN BROWN, PARLIAMENTARY STAFF

MRS MARGARET Thatcher, Prime Minister, insisted in the House of Commons yesterday that the Government would have control over any American cruise and Pershing missiles deployed in Britain.

She told MPs that she was satisfied that the present 30-year-old arrangement with the U.S. was effective. This made British consent necessary before a state of war readiness at the bases could be raised, but it left firing control in American hands.

Opposition MPs have repeatedly demanded a return to the pre-1962 position, when, under the "dual key" system, British permission was required before any missile could be launched.

Mrs Thatcher was pressed by Mr Michael Foot, the Labour leader, for a "considered response" to the missile reduction proposals made before Christmas by Mr Yuri Andropov, Soviet leader.

Criticising the Government's support for the "zero option" demanded by President Ronald Reagan, Mr Foot said the Government should take account of the proposal for a non-aggression treaty which emerged from the Warsaw Pact summit in Prague.

Mr Foot said it appeared that President Reagan's sacked disarmament chief, Mr Eugene Rostow, had almost reached agreement with the Soviet Union in disarmament talks at Geneva.

Those proposals did not involve continued insistence on the zero option – removal of all intermediate-range nuclear weapons threatening Europe – "however desirable that might be," he said.

If the zero option could not be achieved and cruise and Pershing missiles had to be deployed, he asked: "Are we not going to insist that British control should be established over these weapons?"

Mrs Thatcher, who repeated that the zero option offered the best hope for peace, said the number of missiles deployed would balance the Soviet weapons targeted on Western Europe.

She added: "The use of U.S. bases in the UK in an emergency would be a matter for joint decision by Her Majesty's Government and the U.S. Government in the light of the circumstances existing at the time."

Pointing out that the same rules had been operated by successive governments, Mrs Thatcher assured MPs: "I have satisfied myself that they are effective."

Mrs Thatcher's assurance was later expanded by Mr Winston Churchill, who has a special responsibility in the Conservative Party for projecting defence policy.

He told MPs: "Not only has the situation not changed over the past 30 years, but it remains the situation that the affirmative permission of the British Prime Minister would be needed before any nuclear weapon based in these islands could be launched."

BT will sell new Plessey exchange

By Jason Crisp

BRITISH Telecom (BT) has officially entered the major market for large office telephone switchboards. It is to sell a new exchange developed by Plessey which was launched yesterday.

Plessey has the largest market share for PABXs (private automatic branch exchanges) of more than 100 lines with its digital electronic system.

BT's decision to offer its new system – it is many years since BT offered such a product – should enable Plessey to hold its share in a market which is likely to become much more competitive.

The decision by BT is a setback for Mitel, the fast-growing Canadian company which has a rival large PABX. Since last summer, the City of London area of BT has unofficially offered customers the Mitel exchange.

BT had been expected to adopt the Mitel exchange – as it may still do. But Plessey has achieved the valuable first approval by being able to deliver the product sooner.

Plessey said yesterday that it had more than £4m of orders for the exchange, most of which are thought to be from BT itself.

Plessey will also sell the exchange, called IDX, itself. The exchange will be available as well from Telephone Rentals, which has a long-standing connection with Plessey.

The market for large PABXs (worth more than £50m a year) is divided between a limited number of companies which have been given technical approval in the past by BT. They include IBM, ITT, Plessey and GEC.

The market for all PABXs is to be liberalised in July and several companies are to seek approval. Six are being tested by BT as an interim measure, including ones by Thorn-Ericsson, Mitel and Harris.

Industry fears loss of coal conversion grants

BY MAURICE SAMUELSON

BRITISH industrial leaders are expected to appeal to the Government not to scrap its grants for encouraging greater coal use by industry, despite the slow rate of applications for them.

The Confederation of British Industry (CBI) is thought to be considering such a call as part of its budget proposals to Sir Geoffrey Howe, the Chancellor of the Exchequer.

If the grants are withdrawn, as some ministers appear to favour, this could lead several companies, including Imperial Chemical Industries (ICI) and Monsanto, the U.S.-owned chemicals group, to stop conversions to coal in their UK factories.

ICI is about to decide whether to go ahead with the £10m conversion of a boiler at Winnington, one of its three soda ash plants in Cheshire. The first of these plants, at Lostock, received the go-ahead last year, with the help of a government grant.

Monsanto will decide next week whether to introduce coal at Ruabon, North Wales, one of its four UK chemical plants. It is also considering coal burning at its other UK plants, but could drop the idea if government assistance, already requested for Ruabon, is not forthcoming.

The Treasury and the Industry Department are dubious about retaining the scheme because all the applications under review would not absorb more than half the £50m made available two years ago.

By the end of December, 1982, £12.6m was on offer to 135 approved applications, but only £1.1m had been paid out.

Dr Richard Sykes, ICI's fuels and natural gas purchasing manager, blames the slow take-up on the difficulty of securing investment authorisation in the current harsh economic climate. The impetus to move to coal was "still very strong" and withdrawal of the government grants would be "a very heavy blow", he said last night.

If the Government refuses to make the grants open-ended, he added, it should extend them "at least for a year".

Airlines to cut fares between UK and Spain

By Michael Donne

BRITISH Airways and Iberia, the Spanish airline, are to cut fares on certain scheduled flights between the UK and Spain by up to 45 per cent from April 1.

The two airlines will be offering only a limited number of seats at the low fares, between specified periods and on certain days of the week. Passengers will be asked to make bookings, pay for and collect their tickets at the same time.

British Airways will cut rates between London and Madrid, Barcelona, Bilbao and Valencia on Tuesdays, Wednesdays and Thursdays, and also to Malaga on those days and on Mondays. Iberia will cut rates to those and other cities on Tuesdays, Wednesdays and Thursdays.

The low season return fare between London and Madrid will be £117, compared with £196 last year. The return to Barcelona will be £94, instead of £156.

North Sea Sun makes significant oil find

BY CARLA RAPOPORT

AN IMPORTANT oil discovery in the North Sea was announced yesterday by North Sea Sun Oil, a wholly owned subsidiary of the U.S. oil group Sun Company.

North Sea Sun said that an exploration well a few miles south-west of the Balmoral Field tested at 7,550 barrels a day. Industry sources say that the Jurassic reservoir which has been identified contains between 10m and 50m barrels of oil.

The discovery has been named the Glamis structure. It is expected to be developed into a commercial oilfield after the production development of the Balmoral field, expected to begin this summer. North Sea Sun has a 62 per cent interest in both Glamis and Balmoral.

The test on well 16/21A–6 was completed last November. But the news was held back until the application deadline for the eighth round of offshore drilling licences had passed. The deadline was on Monday and the names of the applicants are expected to be announced today.

Clyde Petroleum, the independent UK oil group, owns 10 per cent of Block 16/21A. Mr Malcolm Gourlay, managing director of Clyde, said yesterday that the discovery was particularly pleasing because the quality of Jurassic oil in the North Sea is quite high. The discovery also confirms that future North Sea development will come from small and medium-sized discoveries, which can be treated separately for tax purposes.

North Sea Sun's other partners in the block are Union Rheinische (UK), which holds 15 per cent, Clyde Petroleum (Minerals), with 3 per cent, and Hampton Gold Mining Areas and Hautpas, a subsidiary of Bowater, with 5 per cent each.

Call for world air transport guidelines

GOVERNMENTS worldwide should get together to work out a new set of air transport policy guidelines, to help airlines wipe out their losses, Sir Adam Thomson, chairman of British Caledonian Airways, told the World Affairs Council in Los Angeles.

He said the key to the airlines' current problems of heavy losses and intensified competition lay in the wide range of regulatory policies towards civil aviation.

These policies, subject to changing political climates, led to the "de-stabilising of the industry and uncertainty in the market-place."

Water strike advice

WATER SUPERVISORS' union leaders are taking legal advice on how their members should respond if they are instructed to work with troops sent in to take over the work of striking manual workers in the water supply and sewerage industry.

The attitude of the technical and supervisory staff in the industry, members of the National and Local Government Officers' Association, (Nalgo) will be crucial if the strike by 29,000 manual workers over a pay dispute goes ahead as threatened from next Sunday evening.

Documents 'withheld'

ALLEGATIONS that the Central Electricity Generating Board was withholding relevant documents were made at the public inquiry yesterday into the proposed Sizewell B pressurised water reactor in Suffolk.

Dutch ferry pledge

SEALINK UK's Dutch partner, Zeeland Steamship Co, said yesterday it would continue the car ferry service between Harwich and the Hook of Holland if Sealink pulled out.

Fewer grocery shops after 10-year decline

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP reduction in the number of grocery stores in the UK over the past decade is revealed in a new survey of the food industry.

The survey, published by the Nielsen research group, shows that the total number of food outlets fell by more than 46 per cent between 1971 and 1981 – or almost 49,600 stores.

The survey reveals a significant structural change in grocery retailing, with small food shops increasingly giving way to larger supermarkets and superstores. Food retailers can more easily absorb rising energy, labour and raw material costs through the extra volume generated by a large store.

The Nielsen figures show that the total number of grocers fell from 105,283 in 1971 to 56,590 in 1981, with the largest percentage decline among the multiple chains, which have been reducing their number of small stores and replacing them with larger outlets. The number of multiple outlets declined from 10,973 to 4,789 – a fall of 56.4 per cent.

Small independent grocers suffered the biggest absolute fall in numbers over the decade – a decline from 86,565 outlets to 47,334. This represented a 45.3 per cent decline.

The drop in number of co-operative retail stores was the smallest percentage decrease – 42.3 per cent – with an absolute fall from 7,745 stores to 4,467.

Nielsen's survey also shows the increasing strength of the multiple grocers in comparison with the independent operators. Over the survey period the small grocer increased his average annual turnover by only four times, against a sevenfold increase for the co-operative grocer and 13 times rise for the multiple supermarket.

In the same period, the multiple stores increased their percentage share of total grocery trade from 44.3 per cent to 62.7 per cent. At the same time the independents' share of trade fell from 42.5 per cent to 23.6 per cent, while the co-op's suffered a decline from 15.3 to 13.7 per cent.

On a regional basis, grocery store closures were greater than the national average in Yorkshire, the Midlands, and Wales, but the rate of closures was slower in Scotland, Lancashire and the Tyne Tees regions.

UK GROCERY OUTLETS 1971–81

	1971	1981	% change over 10 years
Co-operative stores	7,745	4,467	−42.3
Multiple chains	10,973	4,789	−56.4
Independent operators	86,565	47,334	−45.3
Total:	105,283	56,590	−46.2

Source: Nielsen

Cussons jobs hit by Nigerian curbs

By Nick Garnett

CUSSONS, the soap, toiletries and household goods group, is restructuring its operations in the UK as a result of Nigerian import restrictions which have hit the company's main export market for soap.

Soap finishing at its Manchester plant is being transferred to Nottingham where soap bases are produced. Household product lines at Odex, an associated company at Ellesmere Port, Cheshire, are being moved to Manchester, and Odex will now concentrate on producing and selling industrial products. Net loss of jobs within the group, which has a UK workforce of 1,380, will be about 280.

Cussons, part of the Manchester-based Paterson Zochonis, said Nigerian import duties and other restrictions imposed at the end of last year meant that Cussons could no longer sell soap in that country.

Nigeria last year accounted for £11.5m of Cussons' soap sales, half of all the company's worldwide sales of finished soap. Overall, soap last year accounted for a little over a third of Cussons' total £80m turnover.

Cussons was market leader in Nigeria and its Imperial Leather is market leader in the UK with a 15 per cent brand share. The company said that despite the loss of sales in Nigeria its product range remained strong and Hong Kong, Singapore, Scandinavia and the Gulf countries remained important export markets.

Some smaller soap manufacturers will also be affected by the Nigerian restrictions.

UK NEWS—THE FRANKS REPORT

David Tonge and Hugh O'Shaughnessy examine the findings of the Falkland Islands Review Committee

Risks not brought home to Ministers

Carrington: passed initiative to Argentina

THE LONG-AWAITED Franks Committee report on how Britain and Argentina came to war concludes that "we would not be justified in attaching any criticisms or blame to the present Government for the Argentina junta's decision to commit its act of unprovoked aggression in the invasion of the Falkland Islands on April 2 1982."

However, its 339 paragraphs tell of grave misjudgments and poor advice.

Lord Carrington, the Foreign Secretary at the time, comes under criticism for allowing the Argentines to gain the initiative after his decision in September 1981 that there was little to do but to try to keep negotiations going, even though British opinion would not accept the "leaseback solution" which seemed the only feasible option. Under this Britain would cede sovereignty of the Falklands to the Argentines but would lease the islands back.

Surprisingly there was no formal government discussion of the Falklands issue outside the Foreign and Commonwealth Office after January 1981. Foreign Office officials are blamed for not bringing home to minister the growing risks and dangers caused by developments in early 1982—the advent of a tough government in Buenos Aires, under pressure over its economic policies, containing a hard-line navy chief and orchestrating a press campaign warning of military action.

Britain's intelligence assessment system also comes under fire, with the Franks Committee—made up of Lords Franks, Barber, Watkinson and Lever, Mr Patrick Nairne and Mr Merlyn Rees—recommending that it should be studied whether the country's main intelligence committee, the Joint Intelligence Committee, should be headed by an appointee of the Prime Minister. Traditionally it has been under a deputy under-secretary at the Foreign Office.

However, though the report concludes that the Government cannot be criticised, its history of the events makes clear that the Government had long been sending the wrong signals to Argentina.

It picks out Britain's increasing concentration on its Nato role, and the decision to scrap Endurance; the weak British protest at the Argentine presence on the remote island of Southern Thule; its willingness to sell arms to Argentina; its decision not to implement some of the recommendations of Lord Shackleton's 1976 report on the economic development of the islands; and the failure to extend British citizenship to many inhabitants of the Falklands in the British Nationality Act.

It sets all these against the changing situation in Argentina. The 1976 coup had increased the influence of a hawkish navy. Argentina had less overt problems with Chile over the three islands in the Beagle Channel and there had been a rapprochment with Washington following the accession of President Ronald Reagan.

Lord Franks

Carrington criticised for handling of dilemma

THE FOREIGN OFFICE emerges bruised from the Franks findings that at no time after January 1981 was government policy towards Argentina and the Falkland Islands ever formally discussed outside its walls.

Lord Carrington, the Foreign Secretary at the time, comes in for strong implied criticism for how he handled the dilemma the Government faced in autumn 1981. At that time Argentine impatience was growing but he realised there was no prospect of "selling" to the islanders, the Commons or the Government the leaseback solution considered by the Foreign Office. Under this, sovereignty would have been transferred to the Argentines and leased back to Britain.

Lord Carrington concluded on September 14, 1981, that there was "little we can do beyond trying to keep some sort of negotiation going."

The report finds: "We conclude that the Government was in a position of weakness and that the effect of Lord Carrington's decision was to pass the initiative to the Argentine Government."

Moving forward into early 1982, Foreign Office officials are generally cleared of unreasonable actions. However, they are criticised for the way in which they responded to the Argentine denunciation of the communiqués issued after the talks on February 26 and 27 between Mr Richard Luce, Minister at the Foreign Office, and Sr Enrique Ros, deputy Argentine Foreign Secretary.

At the beginning of the year the Foreign Office "recognised clearly that the situation was moving towards confrontation, as is shown by the advice they gave their ministers," the report states. The judgment was that the Argentines would not move to confrontation until negotiations had broken down, that there would be a progression of economic and diplomatic pressure and thirdly—and the intelligence bore this out—that no action, let alone invasion of the islands, would take place before the second half of the year.

The committee concludes that view "could reasonably be taken in the light of all the circumstances at that time" but that three factors were important in the misjudgment.

The Foreign Office is blamed for underestimating the importance Argentina attached to its timeable for resolving the dispute by the 150th anniversary *of the loss of the islands to* Britain, for being unduly influenced by the history of the dispute and for believing that Argentina would follow an orderly progression in escalating the dispute.

At that time the key officials were Mr Anthony Williams, British ambassador in Buenos Aires, Mr John Ure, assistant under-secretary at the Foreign Office dealing with the Americas, and Mr Robin Fearn, head of the department's South American section.

Overhaul of intelligence machinery recommended

THE FAILURE of Britain's intelligence machinery to carry out any full assessment of the Falklands situation in the three months before the Argentine invasion causes the Franks Committee to recommend a review of the existing system.

The clear amazement of members of the committee at the absence of any major review after July 1981 is only slightly disguised by the restrained language in which they report their findings.

The July 1981 review had been by the Joint Intelligence Committee, the key Whitehall committee on security. This includes the heads of MI5, MI6, the Government Communications Headquarters at Cheltenham, and representatives of the Treasury, Foreign Office and the Ministry of Defence.

The JIC, which produces a weekly "red book" for ministers, is supported by a series of regional Current Intelligence Groups. But the Franks Committee says: "We were told in evidence that the Latin American Current Intelligence Group met 18 times between July 1981 and March 1982, but did not discuss the Falklands Islands on those occasions."

The report goes on that on two occasions the Falklands Islands was discussed at the weekly meetings held by the head of the assessments staff serving the Latin American CIG, but that at no time was it decided there was need to revise the assessment prepared in July 1981.

That assessment had concluded that Argentina was likely in the first instance to adopt diplomatic and economic measures before resorting to force. It also thought it was distinctly possible that Argentina might occupy one of the uninhabited dependencies, as it had in 1976 in Southern Thule, and it said there was a risk that Buenos Aires might establish a military preence in the Falkland Islands themselves. However, force was seen as a last resort.

In its conclusions it writes: "We were surprised that events in the first three months of 1982, in particular the Argentine *bout de papier* on January 27, the unilateral *communiqué* on March 1 and the Prime Minister's comments on the telegram of March 3 reporting Argentine press comment, did not prompt the Joint Intelligence Organisation to assess the situation afresh.

"Work was started on an assessment early in March, but not completed because of the intention to link it to a meeting of the Defence Committee. It was decided not to prepare a new assessment before the beginning of March because of the view in the JIO that the conclusions of a new asssessment were unlikely to be significantly different from those of the July 1981 assessment. The assessment of March 31, 1982, although focused on the South Georgia incident, tends to support this view.

"We do not regard the view taken by those concerned of the need for a new assessment as unreasonable in the light of the information available to them at the time. But in our consideration of the evidence we remain doubtful about two aspects of the work of the JIO. First, we are not sure that at all important times the assessments staff were fully aware of the weight of the Argentine press campaign in 1982.

"Our second doubt is whether the JIO attached sufficient weight to the possible effects on Argentine thinking of the various actions of the British Government. The changes in the Argentine position were, we believe, more evident on the diplomatic front and in the associated press campaign than in the intelligence reports.

"We do not seek to attach any blame to the individuals involved. But we believe that these factors point to the need for a clearer understanding of the relative roles of the assessments staff, the Foreign and Commonwealth Office and the Ministry of Defence, and for closer liaison between them. The aim should be to ensure that the assessments staff are able to take fully into account both relevant diplomatic and political developments and foreign press treatment of sensitive foreign policy issues.'

The signals that were missed in the days before islands invasion

THE 99 paragraphs and 25 pages describing the two weeks leading up to the Argentine invasion of April 2 paint a picture of Buenos Aires only gradually drifting towards a policy of force—and Britain always being two steps behind.

March 19. "Scrap merchants" are landed on South Georgia by the Bahia Buen Suceso, an Argentine naval support vessel.

March 20. Governor Rex Hunt of the Falklands says the scrap merchants are a front to establish an Argentine presence. Mr Anthony Williams, the British ambassador in Buenos Aires, advises restraint. The Foreign Office orders a protest and the departure of the merchants. HMS Endurance is ordered to South Georgia.

March 21. The Argentine flag is lowered and Argentina hopes the significance of the affair will not be exaggerated. The Bahia Buen Suceso departs with most merchants.

March 22. The Argentine charge d'affaires in London says there was no intention to raise the political temperature, and the Argentine ship was under commercial charter. HMS Endurance warns of collusion between the scrap merchants and the Argentine navy. Argentine Ministry of Foreign Affairs complains at incidents at the Argentine airlines office in Port Stanley. The British embassy says that some Argentines remain on South Georgia but urges no forceful action to irritate public opinion in Argentina. Governor Hunt warns placatory action could lead to landings on the Falklands.

March 23. Captain Barker of HMS Endurance links the landing with earlier misinformation from the Argentines. Mr Williams was instructed to warn that HMS Endurance and British marines would remove the remaining Argentines. Mr Williams suggests to Dr Costa Mendez, the Argentine Foreign Minister, that the Bahia Buen Suceso remove the Argentines and reports that seen from Buenos Aires the British reaction to "trivial and low-level misbehaviour" could be lasting damage to Anglo-Argentine relations. Dr Costa Mendez was trying to be helpful and sensible, he commented.

March 24. Lord Carrington minuted the Defence and Overseas Policy Committee, which includes the Prime Minister, warning an early confrontation with Argentina might need to be faced. He recommended an early meeting and sought approval for officials to carry forward contingency plans to replace air and sea links with the Falklands. (The chief secretary to the Treasury replied on March 29 that the costs could not be met from the contingency reserve.) Lord Carrington asked the Ministry of Defence to keep Endurance on station. Dr Costa Mendes told the British ambassador that the navy—about whose tough line intelligence was circulating—was causing problems because of Endurance's "threat." The British defence attache in Buenos Aires warned of increased danger of force.

March 25. London learned of the sailing of Argentine warships to intercept Endurance. Major increase in Argentine naval activity. A Cabinet meeting in London and U.S. diplomats—in London and Washington—told of the grave danger of conflict. Dr Costa Mendez rejected the offers of a message from the Prime Minister and the despatch of a special envoy. The Argentines said there was no way they could remove the men on South Georgia without appearing to have responded to force.

March 26. The Bahia Paraiso, an Argentine naval vessel, lands more stores for the civilians at Leith and Endurance's captain says the operation had been long planned as the Paraiso had come from Antarctica. President Galtieri and his service commanders were expected to reply to the British proposal. The Foreign Office advises that the Ministry of Defence would be against sending a task force. Lord Carrington decides Endurance should evacuate the Argentines but offer to transfer them to an Argentine vessel. Mr Wiggin, parliamentary under-secretary of state at the Ministry of Defence says the Department would not pay for retaining Endurance. British embasy warns that all Argentine submarines at Mar del Plata had recently put to sea, though this might not be sinister.

March 27. Mr Williams reports fears that the Argentines *had* been "playing us along," but that action to remove the civilians from Leith would be taken as a trigger for armed action by the Argentines. British naval attache says a joint Argentine/Uruguayan anti-submarine exercise is probably genuine.

March 28 (Sunday). Argentina demands the workers stay on South Georgia and calls for Britain to display "as does the Argentine Government the political will to negotiate not only the current problem which concerns us but also the sovereignty dispute." Lord Carrington asks Mr Alexander Haig, the U.S. Secretary of State, to take up the matter with the Argentines. Mrs Thatcher, the Prime Minister, expresses her worry to Lord Carrington.

March 29. Flying to Brussels, Mrs Thatcher and Lord Carrington agree on the despatch of a nuclear-powered submarine. This would arrive off the islands about April 13. More reports of Argentine naval movements to the Falklands. Mr Haig lets the British know the U.S. will not take sides.

March 30. Lord Carrington, *back in London, expresses his* displeasure to the U.S. It is decided to send a second submarine to the South Atlantic. Lord Carrington offers to send a special emissary to Buenos Aires. The British ambassador advises against this. Buenos Aires reacts negatively to U.S. approaches.

March 31. Lord Carrington, now in Tel Aviv, orders the offer of the special emissary to be made. The Latin American current intelligence group concludes the Argentine Government is trying to persuade Britain to negotiate on sovereignty. Mr John Nott, the Defence Secretary, is briefed that evening on intelligence that the Argentines plan to land on April 2. Mrs Thatcher asks President Reagan to intercede.

April 1. Argentina formally rejects British demands for the removal of its civilians and orders the occupation of the Falklands. Britain decides to put troops on notice.

April 2. President Reagan eventually talks to President Galtieri. The landing takes place.

Thatcher cleared despite history of Argentine provocations

"WE WOULD NOT be justified in attaching any criticism or blame to the present Government for the Argentine Junta's decision to commit its act of unprovoked aggression in the invasion of the Falkland Islands on April 2 1982," says the committee of Privy Counsellors, chaired by Lord Franks, which delivered its Falkland Islands review to Parliament yesterday.

It adds that during the time of the Falklands crisis, "Both Ministers and officials had to deal with many other major and pressing pre-occupations."

Within the context of the general exculpation of the Thatcher Government for any contingent liability for the invasion of the colony, the Franks Report examines in detail the events from the early 1960s onwards which lead up to General Leopoldo Galtieri's invasion of the colony on April 2 last year.

Following a visit of Lord Chalfont, then Minister of State at the Foreign and Commonwealth Office, the Cabinet decided in December 1968 not to reach a settlement on the Anglo-Argentine memorandum of understanding of 1968, since Argentina was not prepared to accept the importance of the wishes of the islanders.

Nevertheless, the Heath administration accepted a communications agreement with Argentina. Talks about an Anglo-Argentine condominium were started in 1974, but later halted in face of the islanders' hostility to the idea.

The following year, the British Government rejected an Argentine suggestion that Argentina should occupy the uninhabited island of South Georgia and the South Shetlands. In 1976, the Argentine navy fired at the RRS (Royal Research Ship) Shackleton and attempted to capture her 78 miles south of Port Stanley.

Despite moves to scrap the Royal Navy ice patrol, the deployment of HMS Endurance was extended to 1980-81.

In December 1976, Endurance discovered an Argentine military invasion of Southern Thule in the South Sandwich Islands. But the military invaders were not evicted until last year.

Mr Ted Rowlands, Junior Minister at the Foreign Office, visited the islands in February 1977, after which the then Foreign Secretary, Dr David Owen, argued that agreement had to be reached with the Argentines because of the militarily indefensible nature of the islands.

In November 1977, the Government sent a naval force towards the islands and rules of engagement were drawn up. Diplomatic talks continued between Britain and Argentina until the spring of 1979 when the Thatcher Government took office.

Shortly after the accession of the Conservative Government in May 1979, Lord Carrington, then Foreign Secretary, sought Cabinet agreement for a lease-back agreement following the visit to the Falklands of the junior minister Mr Nicholas Ridley. Under this, the islands' sovereignty would be given to Argentina in exchange for a long period of administration by Britain. The Prime Minister, however, decided to defer discussion pending settlement of the Rhodesian problem.

A further visit by Mr Ridley in November 1980 was followed by his suggestion to the House of Commons that a lease-back arrangement could be considered.

In May 1981, the UK Ambassador in Buenos Aires urged a further round of talks with Argentina on the Falklands, "to avoid a deterioration of negotiations." The following month, at a major Foreign Office review of policy, it was decided to try and convince the islanders and British public opinion of the worth of the lease-back idea.

Mr Ridley recorded his view on July 20 that the lease-back solution was the only possible way forward.

But this approach was rejected by Lord Carrington, the Foreign Secretary in September 1981 because of what were termed, "Domestic political constraints." Lord Carrington met the then Argentine Foreign Minister in New York later that month, buth the talks were inconclusive.

Meanwhile, the Foreign Office *was preparing contingency plans* for new hostile attitudes by Argentina. The plans included extension of Port Stanley runway to accommodate long-haul aircraft from South Africa. The Foreign and Commonwealth Office fought the decision to withdraw HMS Endurance in March 1982 under the defence cuts mooted in 1981, although its protests were rejected by Mr John Nott, then Defence Secretary, on February 3 last year.

Despite his ostensible backing by the U.S., the accession to the Argentine presidency of General Galtieri in December 1981 was welcomed by Sir Anthony Williams, the British ambassador who, writing in January last year characterised his Cabinet as, "A great improvement on their predecessors. The Foreign Office drafted a cautious reply to Sir Anthony's assessment, pointing to possible difficulties.

For his part, Mr Rex Hunt, the Governor of the islands, chronicled a deterioration of Anglo-Argentine relations

The Franks committee reproduces the reports in La Prensa by Sr Jesus Iglesias Rouco in *January 1982, commenting,* "Sr Rouco (sic) speculated that Argentine would receive support from the United States for any action leading to the recovery of the islands."

As the day of the invasion approached, Mr Richard Luce, Mr Ridley's successor at the Foreign Office, expressed to his Argentine opposite-number Sr Enrique Ros, his concern over an Argentine unilateral interpretation of the results of talks held by both countries at the end of February at the UN.

On March 3, Mrs Thatcher seeing a dispatch by the British envoy in Buenos Aires, called for "contingency plans" although these do not appear to have been forthcoming.

In March, Lord Carrington sent a personal message to Mr Alexander Haig, the U.S. Secretary of State, expressing British concern at Argentine Press reports of the Junta's willingness to use force to possess the Falklands. On March 15, Mr Haig replied that the U.S. authorities would continue to "urge a constructive approach with due regard for all interest at stake."

Falkland Islands Review: Report of a Committee of Privy Counsellors. Cmnd 8787. HMSO £6.10

Tories scoff as Foot attacks 'collapse of Cabinet Government'

BY IVOR OWEN

ROUNDING ON *her Labour* critics in the Commons yesterday, the Prime Minister challenged them to justify their refusal to accept the central findings of the Franks Report that the Government could not have foreseen Argentina's invasion of the Falkland Islands and could have prevented it.

Tory MPs rallied to Mrs Thatcher's support and scoffed at a claim by Mr Michael Foot, the Opposition Leader, that the report pointed to a collapse of effective Cabinet government due to the Prime Minister's failure to ensure that warnings given by Lord Carrington, when Foreign Secretary, were properly considered by senior Ministers.

Mr Foot based his charge on *passages in the report recalling* Lord Carrington's objections to a proposal in the 1981 defence review to withdraw the survey ship, HMS Endurance, from the South Atlantic.

The then-Foreign Secretary's action, *he said,* reflected the fears of the Falkland Islands Council that the announcement of the withdrawal of the Endurance would be interpreted by Argentina as an abandonment of the defence of British interests in the South Atlantic.

Mr Foot said there had been a major division of opinion between Lord Carrington and Sir John Nott, the Defence Secretary, but, despite the Foreign Secretary's persistent attempts to raise the matter, the Prime Minister had not exercised her authority to bring it before either the full Cabinet or its Overseas and Defence Committee.

Senior Ministers joined in the guffaws from the Tory benches when Mr Foot declared: "*What this report illustrates is* a collapse of effective Cabinet Government in this country."

When Government supporters disputed his view that the Prime Minister had been responsible for a tragic mistake, he retorted: "*It was pretty tragic for* the people who were killed."

Mr Foot called for an assurance that steps had been taken to prevent such a situation occurring again, particularly in relation to preventing aggression against Belize in Central America.

He also reminded Tory MPs that Lord Carrington had resigned his post because he believed that Argentina's invasion of the Falklands had been a "national humiliation."

The Prime Minister reminded Mr Foot that the Franks Report also recalled that the Labour Government had proposed to take HMS Endurance out of service in 1974. While admitting that this proposal had not been implemented, she stressed: "*Neither was our proposal.*" The Argentine invasion of the Falklands had taken place while HMS Endurance was on station in the South Atlantic.

Mrs Thatcher stated that the Cabinet's Overseas and Defence *Committee met on 18 occasions* in 1981, and on five occasions between January and March 1982, the period preceding the Argentine invasion. What issues were discussed was partly a matter for the Ministers concerned.

Under further pressure from Mr Foot, the Prime Minister argued that the Franks Report had shown that the fact that matters were not discussed by the Overseas and Defence Committee was not unreasonable, in view of the close contact maintained by the Ministers concerned.

Replying to **Mr Roy Jenkins**, leader of the Social Democrats, Mrs Thatcher admitted that the Falklands issue had not been discussed by the Cabinet's *Overseas and Defence Committee* during the period January to March of last year.

She emphasised: "If it had I don't think there would have been any difference at all."

Mrs Thatcher said there had *been a series of minutes from* Lord Carrington over a long period in addition to other contacts between members of the overseas and defence committee.

Mr James Callaghan, the former Labour Prime Minister, said it had been the position of successive British Governments that they would be prepared to give up sovereignty over the Falklands, provided arrangements were made for a substantial period of "lease back."

Mrs Thatcher's Government had pursued the same policy until March of last year, reflecting what had been the belief of all Governments that the worst of all possible policies would be "fortress Falklands."

To Labour cheers Mr Callaghan demanded: "Is it not the result of the Government's handling of these matters during the last 12 months that what we have been presented with under the Prime Minister's direction is a short-term military victory and a long-term political retreat and dead end?"

Mrs Thatcher replied that Mr Callaghan had identified the dilemma which had confronted successive governments—Argentina's desire for sovereignty could not be reconciled with the wishes of the Falkland Islanders, which were paramount, to remain British.

"In the end Argentina had invaded and therefore, "it seems to me that we have no option now except 'fortress Falklands' if we are to continue, as I believe we should, to honour the wishes of the Falkland Islanders."

Mr David Steel, the Liberal leader, pressed the Prime Minister for a *fuller explanation* of her reaction to Lord Carrington's opposition to the withdrawal of HMS Endurance from the South Atlantic.

Mrs Thatcher accused Mr Steel of taking advantage of *hindsight and insisted that,* whatever criticism was made, the fact was that HMS Endurance had been retained in the South Atlantic.

The Prime Minister reacted angrily when **Mr George Foulkes** (Lab, South Ayrshire) described the Franks Report as an "establishment cover-up and whitewash."

The Prime Minister told Mr Foulkes: "I resent deeply what you have said as a criticism and a slur on Lord Franks and the whole committee."

Mr Tony Benn (Lab, Bristol South East) said the report showed that in September 1979 Lord Carrington had acknowledged the importance of recognising that it was in the *interests of Britain* and the Falkland Islanders to have substantive negotiations on sovereignty. He asked why the Prime Minister had vetoed Lord Carrington's very wise political advice.

Maggie wins the lucky dip contest

YEARS AGO every self-respecting corner sweet shop used to have a sawdust filled barrel euphemistically called the lucky dip. Despite repeated disappointments, children were always willing to part with a penny on the chance of pulling out a stick of bubble gum or a giant gob stopper. More often all you received was a worthless paper hat or a small slip containing a corny joke.

The Franks Report on the Falklands presented to the Commons yesterday seemed to be a modern version of this old favourite. You flick over the pages and picked out any one of the 339 paragraphs which most appealed to you.

As usual these days poor old Michael Foot, the Labour leader, drew the booby prize. He seized on paragraph 115 which dealt with the well-worn saga of the Government decision to withdraw HMS Endurance from Falklands service and the part this played in triggering the Argentine invasion.

Footie pointed out that there had been a difference of opinion between the then Foreign Secretary, Lord Carrington, and Sir John Nott, who was Defence Secretary. He tried to pin the blame on the Prime Minister by asking why she had not sorted out this matter in the Cabinet or *in her capacity as head of* the Defence Committee. It was, he concluded triumphantly, evidence of a collapse of effective Cabinet Government in this country.

Tory MPs who had enthusiastically cheered the Prime Minister were, however, distinctly

PARLIAMENTARY SKETCH

unimpressed by Mr Foot's rambling dissertation. "You'll have to try harder," they jeered.

As one brought up in a corner grocer's shop, Maggie had better luck. She pulled out paragraph 266 which conveniently stated: "We are satisfied that the Government did not have warning of the decision to invade."

Going one better, she brandished paragraph 339: "We conclude that we would not be justified in attaching any criticism or blame to the present Government for the Argentine junta's decision to commit its act of aggression."

Rather smugly, the Prime Minister emphasised that this was not the opinion of the Government but was the conclusions of a detailed independent inquiry. That was why she had quoted the paragraphs in full.

"*You would wouldn't you?*" sneered Labour MPs in exasperation.

Mrs Thatcher found it "amazing" that Mr Foot could find nothing more important to say about the report. As far as she was concerned the Franks Committee has seen so many witnesses, taken so much evidence and examined so many official minutes, "we have no alternative but to accept their conclusions."

Unlike Mr Foot and Mrs Thatcher, MPs and the Press had had no opportunity to study the report in advance. But close examination later showed some fascinating vignettes that were overlooked in the weighty parliamentary battle. In March the Argentine Foreign Minister had protested about an insult to his national flag which had occurred in Port Stanley. Apparently the offices of the Argentine airline had been entered and the Union Jack placed over the Argentine flag. Written in toothpaste on a desk were the words: "Tit for tat you buggers."

It was left to an old veteran, Jim Callaghan, the former Labour Prime Minister, to come to the rescue of his party. In a magisterial intervention he made it clear that all this prattle about HMS Endurance was of no consequence.

But as a result of Mrs Thatcher's policy over the last 12 months we were left with the situation which successive Governments had feared above all—the creation of a "fortress Falklands" policy, a short-term military victory and the prospects of a long-term political retreat.

This drew a damaging admission from Mrs Thatcher that if we were to honour our obligations to the islanders there was indeed no alternative to a "fortress Falklands" policy.

As is was obvious that the Labour Party stood little chance of winning this particular match they accused the Government of a "foul" by making premature leaks of the report to the press.

The indefatigable Mr Tam Dalyell (Lab, West Lothian) complained of the weekend headlines which predicted Mrs Thatcher would be exonerated by Franks. It was he said "selective briefing and selective leaking by interested parties."

John Hunt

مكبرة من الاصل

THE ARTS

Jack Klaff/Soho Poly

Rosalind Carne

Two impressive one-handers by actor/writer Jack Klaff can be seen here on alternate lunchtimes until the end of the month. He performs himself, flashing through a gallery of characters with astounding energy and precision. *Cuddles*, a cool, clear vision of a modern heterosexual relationship, appeals largely and humourously to the intellect, while the appeal to the heart is reserved for *Nagging Doubt*, a devastating assault on South African politics.

The latter title derives from an assertion by that country's late Prime Minister, *Dr H. F. Verwoerd*, who claimed never to have suffered from moral hesitancy in pursuance of his government's policies. Mr Klaff presents him mercilessly as the man ultimately responsible for the massacre at Sharpville in 1960 in which 69 people died, an event he resurrects with terrifying clarity.

Sitting exhausted on the floor, he slowly tells us of the extraordinary trust in the crowd outside the police station, the refusal to believe in the carnage, even as it was happening. Suddenly, the performer switches roles and we have the brash young soldier, casually loading his gun, thinking of his girlfriend.

The range of voice and gesture is remarkable, as Mandela, Sobukwe, Kgosana and others emerge, disappear and re-emerge, instantly recognisable by their gait, stance or by the slightest motion of their facial muscles. By means of contemporary writing we are offered a vivid and personal picture centring on the front line experiences of Eric Lovell, a liberal white journalist, who found himself as deeply distrusted by both the authorities and the black liberation movements.

The only woman around is his wife, Marjorie Lovell, but the second play tackles the gender problems head on. Penny, a feminist, meets Tony, a radical university lecturer. Taking both sides in conversations, arguments, even love-making, Mr Klaff draws us into their quest for the perfect partnership. His wit and irony never sinks to disrespect for his creations, and finds ample scope for theatrical expression, whether in peopling an entire academic conference or in summing up weighty topics like monetarism and psycho-analysis in brilliant rhyming doggerel. Cordelia Ditton directs.

Miss Julie/Lyric, Hammersmith

Michael Coveney

Strindberg's powerful short play, apart from being the first custom-built model for the studio drama that was Strindberg's invention and today's staple diet, is a steamy confection of smells, sounds and light on Midsummer's Eve. The sensual atmospherics extend, too, to the impromptu affair between Miss Julie and her father's valet Jean.

This balance between a tale of passion and its environment is superbly maintained in Clare Davidson's studio production. A strong aroma of onions invades the theatre, emanating from a large solid stove where Christine the cook, Jean's intended, is hard at work. This domestic stench is obliterated by the sweeping entrance of Cheryl Campbell as Julie, a heavily scented white porcelain doll with cascading golden hair.

With the game in full cry, the peasants' celebration outside bursts through in the violent sexual charade of a groom (Alan Coveney, no relation) and a kitchen maid (Nina Edwards) who is stretched out on the long scrubbed table and savagely doused in wine.

The exposition of a torrid affair in the harsh daylight of the morning after, and the cruelly tragic climax, is similarly reflected in the lighting by Dave Horn. The entire theatre has been ingeniously transformed into a kitchen by designer Dermot Hayes, beautifully conceived on the large scale: Jean's room is at the top of a solid wooden staircase, plates are arranged in two hanging displays and a large hearth dominates from the back of the arena.

Alastair Muir

Cheryl Campbell

The psychological and physiological detail of the central relationship is brilliantly sustained by Miss Campbell and Stephen Rea who, like Donal McCann at the RSC 11 years ago, defines his social outsider role in his Irishness. Both play lightly and quickly over the text's surface without any sacrifice of the inner depths. From the start, they are equal opponents in the fight, Miss Campbell resorting to ice-maiden rank-pulling while Mr Rea's armoury is stocked with devastatingly sardonic quips and misogynist abuse.

The death of the greenfinch is as horrifying as ever: Jean rips its head from its body, though, to avoid the embarrassment of the axe. The return of Miss Julie's unseen father carries the right pressure for the protagonists, whose sexual dalliance has been immediately forgotten in an instant recriminatory orgy of muddled plans and petty revenge. This marvellous revival uses Michael Meyer's standard translation.

George Orwell Fund award

The first award of £2,000 has been made from the George Orwell Memorial Fund to a young playwright, David Lan.

The awards are in honour of Orwell to encourage both imaginative writing and research, of a kind that Orwell himself might have thought interesting were he alive, both exploring relationships between politics and literature. The fund was established initially by the deeding to Birkbeck College of the English volume rights of Bernard Crick's *George Orwell: A Life*, and it has been added to by donations from individuals, companies and newspapers with whom Orwell was associated.

Frank Bough: professional

Debbie Rix: good

Francis Wilson: cheesecake

Selina Scott: sparring

The sunshine breakfast programme

Chris Dunkley gives a measured welcome to BBC's 'Breakfast Time', admiring the professionalism but disturbed by the frivolous approach.

The question is, will Selina Scott stay the course? In the very first edition of BBC1's *Breakfast Time* she revealed that, like so many of us, she feels instinctively that television in the early morning is all wrong if not downright depraved. She was sparring jokily with co-presenter Frank Bough — perhaps not quite indulging in the "sexual chemistry" promised by the ITV opposition — yet even the most charitable viewer must have noticed that the joke was near the bone: throughout the programme's two and a-half hours the poor lady's eyelids seemed about to close. Moreover, her opening remark — "You're doing a good good job, keep it up Michael"—suggested definite sleepiness since it, too, was addressed to Frank Bough.

Still, if that and the drenching of Miss Scott in a jeroboam of Moet & Chandon in the closing moments, are the worst that happens, then the programme will be able to boast the most super efficient live presentation ever. Remembering the technical disasters which turned *Nationwide* into a laughing stock for so many of its early weeks, *Breakfast Time* managed an astonishingly smooth premiere: hitting all those promised times with headlines, weather forecasts, regional news and whatnot is doubtless difficult enough without the additional hazards of going live to a bakery, Waterloo Station, and so on. Yet apart from one flash of colour bars not one of the 30-odd items went wrong.

Which is not to say that everything about the programme was to my taste. There was bad as well as good from the very beginning, with its pleasantly merry signature tune but an ugly oriental logo of a rising sun, to the very end, with its sense of euphoria and then the absence of a single production credit. I do like to know who to praise or blame when I write to the BBC.

Most important among the bad aspects was the general tone and approach which for me was quite wrong. Not only am I a print junky who can hardly begin to think about the day without ingesting two or three newspapers, but I like the newspapers to be serious and I am not surprised to discover that at 6.30 am I feel the same about television. If Peter Jay's TV-am show on ITV really fufills his declared "mission to explain" — the sort of serious approach traditionally adopted by the BBC — *then I suspect his* will be the programme I prefer.

There seems a very fair chance, however, that the BBC, having turned the tables, borrowed the clothes traditionally worn by commercial television, and gone for the "relaxed and informal" approach with emphasis on "the stars and personalities," will pick up the bigger audiences. The question is whether Jay and his team, after watching a fortnight of light entertainment going out from the BBC unopposed, will dare stick to their high-minded intentions.

Some doubts at least may have entered the minds of any viewer who happened to see TV-am's half-hour promotion last Friday morning fronted by David Frost with a wearying stream of after-dinner gags aimed at advertisers. Since the presenters are business partners in the venture it is perhaps not surprising that they should join their advertising personnel in trying to flog commercials. But when you have seen Rippon making the debatable claim that consumers are better persuaded to buy in the morning than the evening (are advertising rates higher or lower for American breakfast shows? TV-am says higher but the Sunday Telegraph says lower because "advertisers find people are less attentive at 8 am than 8 pm") will you ever trust her again as a journalist?

The trouble is, presumably, that they are in no doubt about the strength of the opposition. The BBC having once learned its lesson in 1957 when ITV lured away 70 per cent of its audience with prize quizzes and variety shows, thus threatening the Corporation's licence fee and its very existence, has repeatedly shown itself a formidable opponent in the ratings war. Breakfast time is proving no exception.

Who would have dreamed 10 years ago that the BBC, home of Dimbleby and Bronowski, maker of *Civilisation* and *The Reith Lectures* would ever take to peddling astrology across the nation's breakfast tables? Yet there he was on Day One, a grossly fat individual in a rainbow striped jumper telling us all what Virgos could expect. What price a resident BBC alchemist? Hints on making your own snake oil? A necromancy slot?

In their defence, the breakfast team will no doubt point to all the astrology columns in the Press, though the more self-respecting newspapers have never yet sunk that far. The comparison is nevertheless highly significant. It is clear from the outset that breakfast television sees itself competing not with other television programmes nor even with radio much, but with newspapers and —in the case of the BBC so far, anyway — specifically the cheaper newspapers.

Hence the news itself comes mainly in headlines, read by former BBC secretary Debbie Rix (good) who looks as though she has been doing it all her life and even has that slightly weird dress sense which seems *de rigueur* among female news readers: Day One found her in a white patterned satin top suitable for the Covent Garden circle bar.

We had plenty of sport from David Icke (good) who used to work on *Newsnight*, and frequent weather forecasts from Francis Wilson (cheesecake for ladies, I am assured) with "the window on the weather" displaying great whorls of soot and whitewash described as animated satellite pictures (bad).

Gossip columns are right back in fashion in Fleet Street so *Breakfast Time* is trying a TV version (bad) yet again, even though we know that live presentation without the cloaking of print takes the wit of a Bernard Levin to pierce and slice effectively.

The food spot carried populism to a reductio ad absurdum in the first programme, essaying a lesson on the slicing of bread and achieving the very doorstep we were told to avoid, yet the bright and interesting presenter Glynn Christian (good) looks like the most impressive new find so far.

Chief anchorman Frank Bough is, as we knew, a professional to his fingertips with precisely the right tone of voice for the programme that the BBC seems to want; though if the camera is often going to glance sideways along those red leather airport sofas he will have to emulate his guest Harry Secombe and start losing some weight. And Nick Ross, who completes the BBC trio of main presenters—a more sensible, though hard-worked, number than TV-am's five, however starry they may be—is in my view the best studio anchorman of his generation.

It is not the presenters or even the content which has caused most debate in the run-up to breakfast television, however, but the question of whether launching such ventures makes sense at a time when "viewing is falling away so disastrously." That assertion is in quotes because it is heard repeatedly even within the industry, but I do not believe it.

The emergence of breakfast television now is not some coincidental part of the problem: it is, on the contrary an integral part of the reason for the sea change which I sense is occurring. Audiences for individual programmes are, indeed, shrinking. But the reason, surely, is that there is now very much more available to most viewers than there was even one year ago, let alone five or 10 years. Breakfast television is a typical part of the increase. Put simply: audiences are being distributed more sparsely among a larger number of attractions, including those on videocassette, offered over a greater number of hours, on an increasing number of channels.

It may even be that with so much more television around, often available in such a manner that the viewer can choose what he watches when he likes —with power and choice moving away from the broadcaster and into the viewer's own control — television does begin to seem less special and less commanding and we really are beginning to pick and choose more and watch slightly fewer hours. Mainly, I believe, this change is simply a matter of the redistribution of viewing.

Closer investigation certainly suggests that the most famous "disasters" such as the supposed "loss" of seven million viewers by *Last Of The Summer Wine* at Christmas are due to that factor: the ITV/BBC1 total at that time this year was 20 million viewers, plus videocassette watchers against last year's 23 million total: ie probably little, if any, change.

I have few doubts that 15 years from now breakfast television will be an unremarkable daily event watched by a number of people who, as a consequence, will watch less than they used to at some other time of day. What is more problematical is the prospect six months hence: for the BBC's worldwide organisation *Breakfast Time* is just one more programme, but if the advertising dispute is not settled quickly TV-am could disappear almost as soon as it is born.

Mozart & Schubert/Barbican Hall

Andrew Clements

For this week the BBC has taken over the Barbican Hall for a short festival devoted to Mozart and Schubert. The Symphony Orchestra and John Pritchard are giving three Schubert symphonies (nos 3, 4 and 5) and for the last three symphonies of Mozart, Walter Klein is the soloist in three of the best known Mozart piano concertos; the Chilingirian Quartet supplies string quartets and quintets; the BBC Singers and Kathryn Stott and Yitkin Seow offer lunchtime programmes that mix part-songs and piano duets.

The idea is unexceptional and unexceptionable. The programmes are solid and consistent, and there is nothing in any of them (save the lunchtime recitals) that could not be heard easily in any average month on the South Bank.

The first concert on Monday night, from the BBCSO and Pritchard, attracted a meagre audience and produced thoroughly competent performances. After the initial shock of at last hearing an orchestra in the Barbican which was alert and prepared to knuckle down to its job, both Schubert's D major symphony D.200 and Mozart's E flat symphony K.543 were negotiated with easy musicianship and without notable distinction. In the outer movements of K.543 especially, the weakness in the bass that is one of the hall's less acceptable properties took the pungency out of the contrapuntal lines and left them well short of the impact the conductor intended.

Mr Klein's lack of mannerism and clean texturing took him through the C major concerto K.467 pleasantly. The lyricism was spun on tenuously thin lines at times, and the brittleness of his sound emphasised passing blemishes in his passagework. But, as in the symphonies, one longed for a transfiguring performance to justify the whole enterprise, to lift it above the mundane and the routine; throughout this first concert at least one waited in vain.

*

This week's BBC Mozart-Schubert series has, three times this week, a lunch-hour pendant, taking the form of piano music for four hands by both composers adorned with part-songs, sometimes piano-accompanied, by Schubert. At the first of the three, yesterday, Yitkin Seow and Kathryn Stott gave as recital centrepiece the wonderfully brilliant and charming C major Sonata, K521.

The two young pianists allowed, on this occasion, no indication whatsoever of any evident aptitude for the task at hand. Simply as piano duo playing, theirs was often disturbingly unsynchronised, and in any long passage of concerted activity rhythmically unstable; instead of enjoying their partnership these two pianists seemed to inhibit each other, placing in consequence a pall of earnestness upon the conviviality of the music. A new Barbican Hall noise, like a muted power drill somewhere in the roof, can hardly have aided their concentration. But to have to listen to Mozart reduced to the level of soporific politeness in a series bearing his name was a dispiriting experience indeed.

From the vast treasure-trove of Schubert's secular choral music, the BBC Singers under John Poole had chosen three delectable samples—"Lied im Freien" and the craggily speculative "Grab und Mond" for male voices, then as concert finale the blithe "Gebet" for mixed choir, solo quartet, and piano (Miss Stott). To a less damaging degree, the choral Schubert had a character of smooth-tongued good manners not unlike the four-hand Mozart. Final consonants were elided or slid over in the English manner; nothing too assertive or too energetic was Schubert's "startling harmonic effects" (I quote William Mann's lively programme notes) in "Grab und Mond;" and — to put it bluntly—blandness ruled almost unchallenged.

MAX LOPPERT

Richard Mapp/Wigmore Hall

David Murray

The pianist Richard Mapp, New Zealand born, offered a particularly attractive programme on Monday, substantial but not at all routine. He began with Clara Schumann's Variations on a Theme of Robert Schumann, according them not only the quiet warmth and dignity which are their due—wifely devotion is more evident in the music than originality—but also an immaculate pedal-legato that was an uncommon pleasure in itself.

More of the same good sense and full, balanced tone (bar the odd passage where Mapp's strong left hand shaded his right) informed Schumann's own Fantasy in C. He did fine justice to its breadth, less to its sudden blazes: when a pianist loosens the dots and double-dots in the great opening theme, one can generally predict a temperate reading (and trouble with the wild coda of the middle movement), and so it proved. Yet the expressive power of the playing was real and mature, and even without the extra glint of spontaneity it made for an account of sterling character.

The Granados set of Escenas Romanticas, wistful and discursive, is rare in the concert hall, and very welcome. Mapp lavished sympathy and refined delicacy on it. One could ask nothing more, except a suggestion of the haunted, personal accents that make the Thomas Rajna recording so memorable: invidious comparison, but the music stands in need of that special illumination.

You might suppose, as I did, that Skryabin's unbridled, ecstatic Fifth Sonata would sound sturdily judicious under Mapp's hands. Not a bit of it! It got a wonderful performance—dazzling colour, brilliant dynamic range, daringly sprung *rubato*: total conviction. Mapp has mastered the idiom to perfection (not to mention all the notes). Poisoned sweetness in pianissimo, clean radiance in fortissimo—but never going through his tone—and superb control of the essential hesitations and rapid about-turns with which Skryabin builds up his effects. One was delighted and amazed.

ISCM World Music Days 1983

At the 1982 World Music Days held in Austria, it was announced that Spain could no longer host the World Music Days this year. As a result the Danish section of the International Society for Contemporary Music has announced that it will present the 1983 World Music Days in Aarhus, from October 29-November 5.

Concerts will be given in the new Aarhus concert house and will include a European Broadcasting Union concert with the Danish Radio Symphony Orchestra on October 27.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 14–20

Theatre

LONDON

The Real Thing (Strand): Fascinating, enjoyable new Tom Stoppard play which examines a playwright's attitudes to work, music and love in characteristically well-written, complex vein. A tone of serious levity is well struck in Peter Wood's production and the performances of Roger Rees and Felicity Kendal. (836 2660/4143).

Other Places (Cottesloe): Triple bill of Harold Pinter plays superbly directed by Peter Hall. Pinter breaks new ground in A Kind of Alaska. Judi Dench outstanding as a woman coming out of coma after 29 years and accelerating from small girl to adult maturity in half an hour. (928 2252).

Andy Capp (Aldwych): Good British musical starring Tom Courtenay based on the syndicated cartoon character with an ingeniously nostalgic score by Alan Price who also participates from the keyboard. (836 6404).

Noises Off (Savoy): Michael Frayn's backstage comedy is still the funniest play in London, owing small debts to Rattigan's Harlequinade and Pirandello's Six Characters. Brilliantly directed by Michael Blakemore. (836 8888)

Trafford Tanzi (Mermaid): Exuberant play that sets the battle of the sexes in a wrestling ring. This fringe success has re-opened the embattled City of London venue. (236 5568)

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. One or two brilliant set pieces, but is all this strenuously arthritic camping about really preferable to the prim stasis of the D'Oyly Carte tradition? (836 8108)

84 Charing Cross Road (Ambassadors): Moving, unspectacular account of the love affair by correspondence between a New York Anglophile, Helene Hanff, and the owner of a West End bookshop. (836 1171)

Guys and Dolls (Olivier). A first-class revival of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (928 2252)

NEW YORK

Amadeus (Broadhurst): Frank Langella stars as Salieri in the award-bedecked and elegant National Theatre production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing Technicolor Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (245 5760)

Crimes of the Heart (Golden): Despite its genial humour, outlandish events and Pulitzer Prize, Beth Henley's story of three Mississippi sisters boils down to a sitcom sensibility full of gags, good acting and frequent phone interruptions. (246 6740)

Master Harold . . . and the Boys (Lyceum): Tony-award-winner Zakes Mokae leads the cast of three in Athol Fugard's latest look at apartheid in South Africa, where, in a Port Elizabeth tearoom in 1950, a white teenager turns against the two black servants who have been his only friends. (582 3897)

Present Laughter (Circle in the Square): George C. Scott proves that with the right wardrobe of dressing gowns, he can capture the essence of impresario Garry Essendine, including directing an excellent supporting cast. (581 0720)

Geniuses (Fairbanks): Author Jonathan Reynolds takes advantage of a stint watching Francis Ford Coppola shooting Apocalypse Now to parody the American film industry in this riotous re-creation of a jungle film set awaiting the end of a seasonal typhoon. (432 W. 42nd). (279 4200)

Nine (46th St): Two dozen women surround Raul Julia in this Tony-award winning musical version of the Fellini film 8-½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

Good (Booth): How Halder became a Nazi, in this London import starring Alan Howard and directed by Howard Davies, is eloquent, stylish in set and overlapping scenes, but ultimately convincing for the rather undramatic and prosaic reason that Halder was sought after and treated well. No moral tale there. (239 6200)

Plenty (Plymouth): Moving on to Broadway from its Public Theatre opening, Kate Nelligan stars again in the New York production of the play written and directed by David Hare about Europe's transition from war to peace over the last generation. (239 6200)

WASHINGTON

The Imaginary Invalid (Kreeger): The Arena Stage production of the Molière masterpiece starts previews this week. (488 3300)

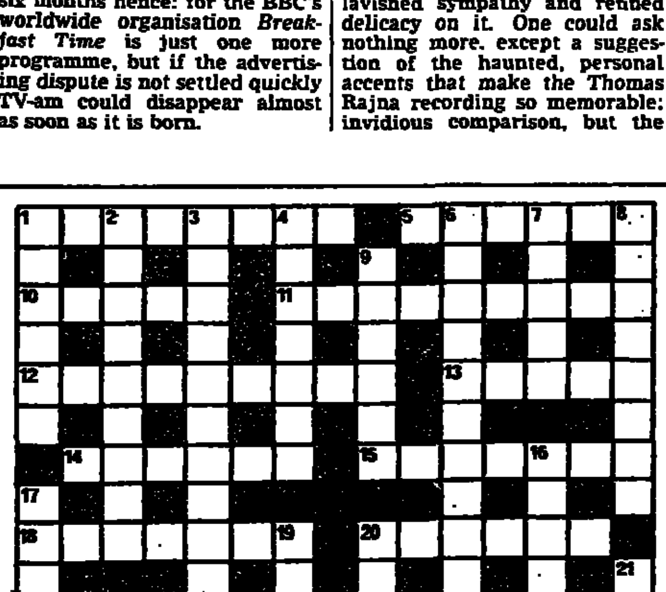
CHICAGO

The Life and Adventures of Nicholas Nickleby (Blackstone): By the time the Royal Shakespeare Company's performances ended last season in New York, Nick Nick (as its advertising called it) had run up an insatiable demand, now being satisfied by the Great Lakes Shakespeare Festival revival of the London production running to eight hours in two parts. (977 1700)

Shear Madness (Mayfair at the Blackstone Hotel): Bruce Jordan and Marilyn Abrams recreating the roles they originated in the hit run of this comedy mystery in Boston and Philadelphia. (266 0252)

The Beckett Project (Goodman): Alan Schneider directs the American premiere of Samuel Beckett's Eh Joe as part of a collection of Beckett one-acts performed by David Warrilow and Rick Cluchey. (443 3800)

F.T. CROSSWORD PUZZLE No. 5,075



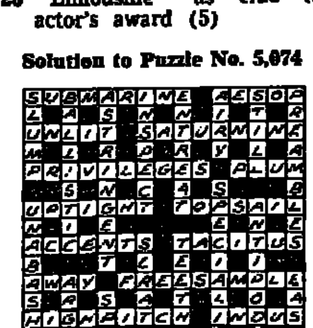
ACROSS

1 Little distance between notes in paperback article (8)
5 Port for outsize nurse (6)
10 Victor does not start a bit off-target (5)
11 Bird to grate on the ear? (9)
12 Like playing a trump ere it is ordered? (9)
13 Dunes resort for these Adamites (5)
14 How to spoil a pot? (6)
15 Town producing inkpots (7)
18 Arrive round set and employ COBOL (7)
20 "Hippy" among the Barsac rally characters (6)
22 One tickled to death with Schubert's quintet (5)
24 Carelessly dent Mini at end of Hogmanay — what can insurers give? (9)
25 Squander heat in LCC type of college (9)
26 "The greatest" almost bit—defence excuse of one cornered? (5)
27 Nice touch, keeping watch on ship (6)
28 Girl, prim type, not cuddling excessively initially (8)

DOWN

1 Spare agent got round Philby (6)
2 Distinctive trait of heartless man remains puzzle (9)
3 eg hedgers having summers on grass (4-11)
4 That great bat Len, out c. Wild (7)
6 CO2? (6-2-7)
7 Heavy jumper sported in South Africa (5)
8 Preparing to get into gear (8)
9 The boot for marching in front of these? (6)
16 Legally handing over in Customs (9)
17 Cannon Street area still overjoyed (8)
19 Show round Venice (6)
20 He might adapt ladders to put his work up (7)
21 Space for name over article —how is back paid? (6)
23 "Limousine" as clue to actor's award (5)

Solution to Puzzle No. 5,074



FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday January 19 1983

Faults in the machine

MRS THATCHER yesterday seized on the two questions which the Franks Report on the events which led up to the Falklands crisis itself regards as crucial. First, could the Government have foreseen the invasion on April 2? Secondly, could the Government have prevented that invasion?

In the strictly literal sense the Report concludes that the answer to both questions is no. "We believe" it says, "that our account demonstrates conclusively that the Government had no reason to believe before March 31 that an invasion would take place at the beginning of April."

And again: "There is no reasonable basis for any suggestion—which would be purely hypothetical—that the invasion would have been prevented if the Government had acted in the ways indicated in our report."

Possibility

Those sentences need to be read very carefully, however, along with the rest of the Committee's findings. What the Report is actually saying is that the Government could not have foreseen the invasion *at the beginning of April* (our italics). There is abundant evidence spread throughout the Report that an Argentine invasion had been considered a possibility for a number of years and that this possibility was becoming much more serious in the early months of 1982. What was not foreseen, and perhaps could not have been foreseen because the Report says that the Argentine decision was taken at very short notice, was that the invasion would take place as early as it did.

Equally, as the Report admits, the question of whether the invasion could have been prevented is a hypothetical one. It is impossible to say what would have happened if the Government had acted differently. Yet the evidence of the Report certainly suggests that the Government's handling of the matter was far from perfect.

There were errors of omission and of commission. The Report is particularly critical of the Government's decision to withdraw *HMS Endurance* which was a token of the British commitment to the defence of the Islands. Mrs Thatcher made the lame claim in the House of Commons yesterday that that did not matter because the *Endurance* was still there when the invasion took place. But the fact is that the decision to announce the withdrawal gave the wrong signal to Argentina. Along with the refusal to implement some of the recommendations of Lord Shackleton's Report on the Falklands, especially the extension of the airfield, it made it look as if British interest in the area was diminishing. The Frank Committee leaves no doubt that it believes the Government might have behaved more prudently.

The Report also draws attention to some striking deficiencies in the machinery of government. For example, on March 8, when it was clear that a crisis was developing, Mrs Thatcher asked Mr John Nott, the Defence Secretary, how quickly a Royal Navy ship could be deployed to the Islands. It took him four days to reply. Again, it seems remarkable that Government policy towards Argentina and the Falklands was never formally discussed outside the Foreign and Commonwealth Office after January 1981 until Lord Carrington briefed the Cabinet on events in South Georgia on March 25 1982. The Report reveals that there was no meeting of the Defence Committee on the Falklands until the beginning of April 1982. Yet the Foreign Office had been conducting negotiations with Argentina and was aware that the situation was deteriorating rapidly. It seems a strange way to run a government machine.

Fatal decision

This lapse of communications apart, Lord Carrington comes out well. He recognised the need to negotiate seriously with Argentina shortly after he took office, but wanted to keep the *Endurance* as a sign of Britain's commitment to the Islands. He was overruled by Mr Nott on grounds of cost. With the benefit of hindsight, it is clear now that that might have been the fatal decision, though it is impossible to prove it.

The real lesson of the Report is how important it is for Government Departments with overlapping responsibilities and interests to work closely together. Mrs Thatcher has been paying more attention to this aspect of government in the last few months. Now we know why. On the evidence of Franks there is a long way to go.

A dollar test for Opec

IN THE oil market yesterday's unconventional wisdom is now *de rigueur*. The industrialised countries have a common interest with the Organisation of Petroleum Exporting Countries in avoiding too sharp a fall in the oil price.

For this otherwise extraordinary turn of events the international debt crisis is largely responsible. Too much Western bank lending (especially to Mexico) is effectively secured on future oil revenues for a collapse of oil prices to be contemplated with anything but alarm. Much more is at stake in the present price structure than the profitability of oil exploration and production.

Whether such a fall comes about as a result of the oil market glut could well be decided one way or another in the next three months; and the outcome of next Sunday's Opec meeting in Geneva may provide an important pointer to the shape of things to come. That the meeting was necessary at all reflects the extent of disarray in the Opec camp.

At the ministerial conference in Vienna before Christmas the producers' cartel came to a tentative agreement to raise the ceiling on Opec production by 1m to 18½m barrels a day. But that notional limit on output was struck without any of the participants being able to answer the question of how production was to be shared between producing countries. In short Opec now confronts the classic dilemma of a commodity cartel in a deep recession: how to prevent individual members raising production to compensate for declining revenues that reflect weak consumer demand.

Crucial

For some time the official reference price of $34 a barrel has been under pressure as "high absorbing" countries like Nigeria struggled to prop up flagging export revenues. The pressure has redoubled as a result of the readiness of others, most notably Libya and Iran, to ignore production quotas and offer covert discounts to the oil companies. By the end of last year the average Opec price was closer to $32 a barrel than to the official level.

Once again it is the position of Saudi Arabia that remains crucial to the outcome. In 1981 the Saudis sought to restrain the more hawkish members of Opec who wanted to extract more from the industrialised countries to suit their own particular purpose, including the financing of the Iraq-Iran war. One key to Saudi motivation was the recognition that an excessively high oil price provided an incentive to consumers to diversify their supplies, conserve energy and develop alternative sources.

In the event the Saudis lost the day—not because they failed to bring the hawks into line, but because the dollar soared, thereby imposing a further burden on an industrialised world that pays for its oil in dollars.

To maintain the present price structure Saudi Arabia has been forced, as the *swing producer*, to reduce its output from 9m barrels a day for much of 1981 when it was trying to hold down the price, to little more than 5m barrels a day last month when it was trying to do the opposite. And it is under increasing pressure from the major U.S. oil companies to drop its price.

Judgment

Whether the Saudis succeed in keeping the cartel together could depend in the short run on whether they make the right judgment about the dollar. If they expect it to fall no further (and they can use their own financial muscle to contribute to that end) the case for a cut in the reference price to, say, $30 a barrel would be powerful. The oil companies might then be tempted, in a less uncertain climate, to rebuild stocks.

If, with an increasing number of economic forecasters, they expect the dollar to continue its fall, they may be content simply to defend a *status quo* that anyway represents a declining real price level. The moment might then be ripe to negotiate a move away from the oil market's dollar standard towards a basket of currencies that more closely reflects the sources of future imports.

Ian Hargreaves and Robin Pauley analyse the Government's efforts to improve civil service efficiency

Rayner: why his reforms may prove short-lived

WHEN Sir Derek Rayner stepped down last month after three years as Mrs Thatcher's personal efficiency chaser in Whitehall, the tributes from Downing Street flowed freely.

A fortnight later, Sir Derek marched off with one of only four peerages in the New Year Honours List. He could hardly have expected less, having led his small team of civil servants on over 130 sorties into Whitehall, racking up potential savings of £275m a year, of which £175m is already in the bag.

His work rate has rivalled that of the Prime Minister herself and his approach—fearless and obstinate, robust and unpretentious — is also not dissimilar from Mrs Thatcher's.

Yet as Sir Derek severs his daily ties with the efficiency programme, closer examination suggests several large question marks over the future of a programme which Sir Derek always intended to be a permanent part of Government machinery, rather than a hit and run exercise.

One of the main problems, appropriately enough in the week of the Franks Report, has its root in the tumultous month of May when Sir Derek was attempting, in conjunction with two Cabinet Ministers, Mr Leon Brittan at the Treasury and Lady Young at the Management and Personnel Office (MPO) (the civil service ministry, in effect, and independently of the Treasury) to secure the long term future of his work by setting up the so-called Financial Management Initiative.

The FMI is designed to force *on each of the 30 Government* departments and their 655,000 staff and £14bn a year budget a rudimentary system of cost accounting and budget control, which might in the end permit cost centre management right down the line and perhaps even decentralised pay bargaining. This would be truly a revolution in the management of Government: "institutionalised Raynerism" as one union official correctly puts it.

The problem, as Sir Derek came to realise only too well, was the attitude of the key department — the Treasury. Some senior Treasury officials, apparently with Cabinet Office support, dislike the possibility that their financial control over Whitehall could be diluted and remain sceptical about the merit of putting large amounts of time into the kind of management system that Rayner has promoted.

Sir Derek's answer was simple and born of long experience, having worked in Whitehall in the early 1970s. He would create a small Rayner squad, staffed by high fliers, and inject them inside the Treasury where, with the help of a tough guardian angel at deputy secretary level within the department, they would foment the revolution. He agreed on the civil servants to be involved and some time in mid-May cast a final satisfied eye over the blueprint.

The unit was indeed created but it turned out to be only a halfway house jointly controlled by the Treasury and Lady Young's department. The selected guardian angel had been selected for other duties. Sir Derek considered his normal line of emergency action—a talk with the Prime Minister—but she had her mind on more explosive matters in the South Atlantic and could scarcely be disturbed with squabbles about management systems. Sir Derek, in short, had been outflanked.

CIVIL SERVICE MANPOWER CUTS

Changes attributed to:—	1980-81	1981-82
Extra workload	+6,657	+2,050
Improved efficiency	−3,966	−4,640
Streamlining (includes reduced service)	−12,188	−8,526
New activities	+3,156	+2,114
Cancelled or curtailed activity	−6,787	−7,184
Privatisation	−1,571	−6,046
Hiving off within public sector	−601	−1,008
Net change	−15,300	−23,240

Source: departmental estimates

Roger Taylor

Sir Derek Rayner: fearless and obstinate approach

The official line, of course, remains that all is well. Lady Young says she cannot recall any disagreement about these matters and re-assures doubters that the good work will continue under her own direction. "This is an absorbing interest for me," she says. Sir Derek himself has maintained a cheerful public silence on the subject, but the circumstances surrounding his departure have compounded the impression that all is not going smoothly in the efficiency brigade.

Although Sir Derek's own decision to leave was not unexpected — indeed it was overdue — it was odd that he was not replaced, except for his attempt to suggest that things would be run by his chief of staff, Mr Clive Priestley, a career civil servant who lacks nothing in stamina or ability but who, crucially in the context of the relevant power battles, lacks status. He is only an under secretary, two very large tiers below the service's top rank of permanent secretary.

At the time of his departure, Sir Derek and Mr Priestley both maintained the succession was being handled according to plan, but as reported elsewhere in today's FT, Sir Derek is in fact fighting a rearguard action, so far without success, to have his unit headed by someone of deputy secretary rank (possibly by promoting Mr Priestley) and for a successor to himself to be *found*.

His own personal voice for the latter task has been given to the doughty Sir Frank Cooper, the veteran Lancastrian who has just retired as Permanent Secretary at the Ministry of Defence.

It may yet be, of course, that Sir Derek will win these battles. He is thought not to have seen Mrs Thatcher since his resignation in December. But Lady Young makes it quite clear she sees no need for a replacement. "I hope we will see MPO as a small but concentrated department pulling the scrutinies together, along with the FMI, with the Prime Minister very much at the back of us," she says.

In terms of personal influence, Lady Young should not be underestimated. Deputy chairman of the Conservative Party and deeply loyal to Thatcherism, Lady Young is by far Mrs Thatcher's closest personal friend in the Cabinet.

She and her officials naturally reject both the idea that their own camp is split and the notion that the Treasury is quietly going about the business of smothering their offspring. "There is no reason to think that the Treasury will not come up to scratch," she says, speaking of the FMI. "It is up to Leon Brittan." It is indeed true that Mr Brittan is an enthusiast for the efficiency drive just as it is probably true, as officials remind you, that Mrs Thatcher is the first Prime Minister in British history to have made *managing* the civil service such an intense personal interest.

> Mrs Thatcher's zeal for cuts across the board could well prove incompatible with the Rayner approach

This issue is very important because, for all the setbacks and limitations, the Rayner scrutiny programme has been a great success.

Its technique has been to ask senior officials and ministers in each department to identify operations where a short (normally 90 days) but intense investigation by a young (normally 30 to 35) official of principal rank (two tiers below under secretary) to ferret among his colleagues for answers to basic questions like: How much does this cost? Could we do it more cheaply without loss of service? And should we be doing this at all?

The results have ranged from a cross-departmental blitz on bad forms to radical reform of the way national insurance records are checked. The part of the Overseas Development Administration which once mapped the empire was shown to be consuming 50 per cent more resources per map than the private sector and will be privatised. Laboratory rats at a Government research centre cost £30 each to breed. Outside suppliers charge £2.

One common view emerges from some of the officials who have carried out these scrutinies: they agree that without Sir Derek's personal clout, a result of his access to the Prime Minister, they would have been either less effective or ineffective. Mr Garth Armstrong, who at the age of 33 did the ODA maps scrutiny, found himself recommending a 65 per cent cut in his department's biggest division. "Without Rayner," he says, "the thing would just not have had the same flavour."

Mr Nick Montagu, whose scrutiny team found savings worth 1,115 staff and £10m a year in national insurance administration, saw Sir Derek twice during his own scrutiny and although he had first class backing from his senior officials and minister, wonders aloud: "Perhaps that would not happen without the Rayner clout."

Sir Derek says he is absolutely convinced that this technique of using highly motivated inquisitors backed up by a tiny (only five officials) central Rayner unit is the way to produce results. The Rayner team, incidentally, sits below a framed quotation from Machiavelli, just to remind them that there is nothing "more perilous to conduct or more uncertain in its success than to take the lead in the introduction of a new order of things."

"I would rate the Rayner approach at its best as just acceptable," says Mr Campbell Christie, assistant general secretary of the Society of Civil and Public Servants. "We don't welcome what's happening, but it's better than the alternative of ad hoc cuts."

He is critical, however, of the Government's outright refusal to consider efficiency and revenue maximising operations, such as increasing the tax inspectorate, which would require more civil servants and is scornful of Sir Derek's failure to deliver on his commitment to improve working conditions

On trickier ground, the unions also challenge Rayner to measure the impact of his work and that of other civil service cuts on the quality of service.

The table, based on Government figures, suggests that only a small proportion of the cuts (although these are much wider than the Rayner economies) have been connected with straightforward efficiency. None the less it is significant that this week the Council of Civil Service Unions officially expressed support for efficiency oversight, although it wants this to involve the House of Commons select committees

The all-party Commons Treasury and Civil Service Committee has also been a strong supporter of Sir Derek, although it also demands a bigger role for Parliament in the process. Last November's White Paper on the civil service ignored this case, however, reflecting the traditional view that the service's job is to meet the needs of ministers, who in turn are answerable to Parliament.

The White Paper did make one interesting potential concession in suggesting that in future, departments which save money will be allowed to retain some of the proceeds. That may be a small measure, but it, or something like it, is needed to halt the palpable decline in civil service morale which has accompanied the 14 per cent cut in its size which the Thatcher Administration will have achieved by April 1984.

What all this adds up to is that a fragile but politically bipartisan raft of support for tighter and less secretive running of the civil service has started to be constructed. There is a danger, however, that the advances so far made could be lost. An incoming Labour government would probably scrap them because of their associations with "Thatcherism." And if Mrs Thatcher wins a second term, her zeal for across-the-board cuts, which have already reduced morale in the service, might well prove incompatible with the thoughtful Rayner approach.

Civil service union leaders are convinced that Mrs Thatcher has already written into her manifesto another 5 to 10 per cent across the board cut.

Meanwhile, the drama within Whitehall itself continues, as the events surrounding the Rayner unit in the last year indicate. It is believed that only a few of the permanent secretaries running departments are both experienced and committed backers of Raynerism, Mr Heseltine's appointment to Defence is a success for the better management school, however, and a good deal will be learned from whether an intriguing document concerned with the job description of permanent secretaries ever sees light of day.

This paper, written by the Rayner unit, and already in the hands of the permanent secretaries, makes the case for constructing a ministerial charter which would outline the role and responsibilities of that loftiest of Whitehall creatures, the permanent secretaries. Crucially, from the Raynerites' viewpoint, it would include among its items a requirement that permanent secretaries accept responsibility for efficient and cost-effective management of their own departments.

Not surprisingly, this document has already been sat on for some time, with muffled shouts of "constitutional problems" from the wings. If it does not reach Cabinet soon, it will be an important victory for the blockers.

Sir John Hoskyns made a similar point shortly after leaving his job as Mrs Thatcher's chief policy adviser last year. "The civil service," he said, "assume that you are really just a sort of bag-carrying hack who can, with a bit of luck, be shunted into a siding and forgotten about."

Sir Derek has not been shunted; he is very much still under his own steam. But whether his work is in the sidings or on the main line remains an open question.

Men & Matters

York worsted

Not quite a re-run of the Wars of the Roses. But one resolute Lancastrian shareholder is holding up Yorkshire woollens group Illingworth Morris's plans to mop up the remaining shares of its 97.3 per cent-owned subsidiary Woolcombers.

The man concerned—the company refuses to name him—is elderly, wealthy, and holds strong views on the rights of shareholders which, he feels, are infringed by legislation allowing the compulsory purchase of minority holdings.

Since he owns marginally more than 25 per cent of the Woolcombers shares not already in Illingworth's hands, he was able to block approval of the mopping-up operation at a special meeting last Friday.

Illingworth has adjourned the meeting for a fortnight in the hope of persuading the shareholder—apparently in no hurry to take the £55,000 or so his stake would net him—to change his mind.

The company is keen to tidy up its Woolcombers' holding to cut administrative costs. It acquired 53 per cent in the late 1960s and raised this to nearly 90 per cent in 1972.

There is a certain piquancy to its problems now. For the Yorkshire group is itself subject to a bid from Abele, the Isle of Man banking and property group, which has been referred to the Monopolies and Mergers Commission.

"Franks' Report? Nobody told us at the F.O. that it was out"

Market advent

If you believe that advertising works, then the people at Wight Collins Rutherford Scott, the third British advertising agency to go public, are at least partly responsible for our present situation.

Creative director Andrew Rutherford, when at Saatchi & Saatchi, produced the "Labour isn't working" campaign; and Peter Scott was the man behind "Keep Britain in Europe."

Rutherford and Scott have equal stakes in WCRS with Robin Wight and Ron Collins. So rather than one man becoming very rich, it will be more a case of four men becoming—with over £800,000 worth of shares apiece—very comfortable.

Water wheels

Let the oil companies beware. A couple of Japanese professors this week successfully tested a four-wheeled, two-passenger motor vehicle that runs on—wait for it—salt water.

Actually, I am told, it runs on the energy produced by the difference in density between salt and fresh water. Don't ask me to explain exactly how it is done, but the end result is what might be described as steam heat.

Economy-minded motorists should note that fuel consumption comes to 230 litres of salt water and 70 litres of fresh water an hour. Which is not bad so long as there is no drought (Australia, for instance, would not be in the market at present.)

Performance, however, is on the modest side, with one kilowatt of power propelling the vehicle along at the speed of a dignified cyclist.

Still, the two professors, who have been working on the project since 1975, reckon that their technology could be applicable to the production of a small, low-speed, in-town shopping car.

Some things which come out of salt water, however, would appear to be getting beyond the reach of the average shopper. At the Tokyo fish market the other day, a single tuna was sold for Y5.6m (about £15,000). It did weigh 250 kilos, of course, which means that even if you could have afforded it, you could not have carried it home in your salt-water car.

Safety catch

The state that gave the world Abraham Lincoln, Ronald Reagan and Wyatt Earp has now come up with the novel idea to raise banking deposits in traditional mid-western pioneer fashion. The small Bank of Findlay, based in the southern Illinois village of that name (population 800) is offering two free Colt pistols in lieu of interest to depositors who invest $2,500 for six years.

The pistols, a .357 Python and a .22 Diamondback, come in a custom-built walnut case made by a local craftsman and are said to be worth about $1,100. The bank says that the offer has attracted widespread interest.

It does not seem to be concerned about putting ideas into the heads of investors who might want to get their money back in a hurry—plus perhaps some of the other deposits attracted by the offer.

Appetiser

Dutch television viewers, whose home-produced programme fare seems to consist mainly of discussions on abortion chaired by distinguished white-haired men, have found the BBC's breakfast TV much more to their taste.

The switchboard at Avro, the TV station which relayed the programme, was jammed for several hours by enthusiastic viewers calling for more. The only thing that did not seem to go down well was the Dutch commentary on the flow of knees-up news from London.

Avro has responded by announcing that it is interested in putting on its own breakfast-time show in a few years' time. It would all depend, a spokesman said, on the costs and broadcasting time allotted to the various Dutch radio and television companies.

Avro is a popular station, unlike many of its rivals which represent different political viewpoints with the same resolute seriousness.

But as Holland has only two television channels, the stations are granted air-time by official assessors, employed to quantify the public mood, and the resulting carve-up is a constant bone of contention.

Disarming

If the Russians are starting to joke about their SS-20 nuclear missiles, disarmament prospects must surely be brightening.

Guardian reporter Hella Pick fired a triple-barrelled question at Soviet Foreign Minister Andrei Gromyko during his Bonn news conference yesterday.

"That," quipped Gromyko, in a rare flash of humour, "was one of those questions with three independently targettable warheads."

Observer

David Housego reports from Paris on the changing fortunes of the OECD

Pilot fish ahead of the sharks

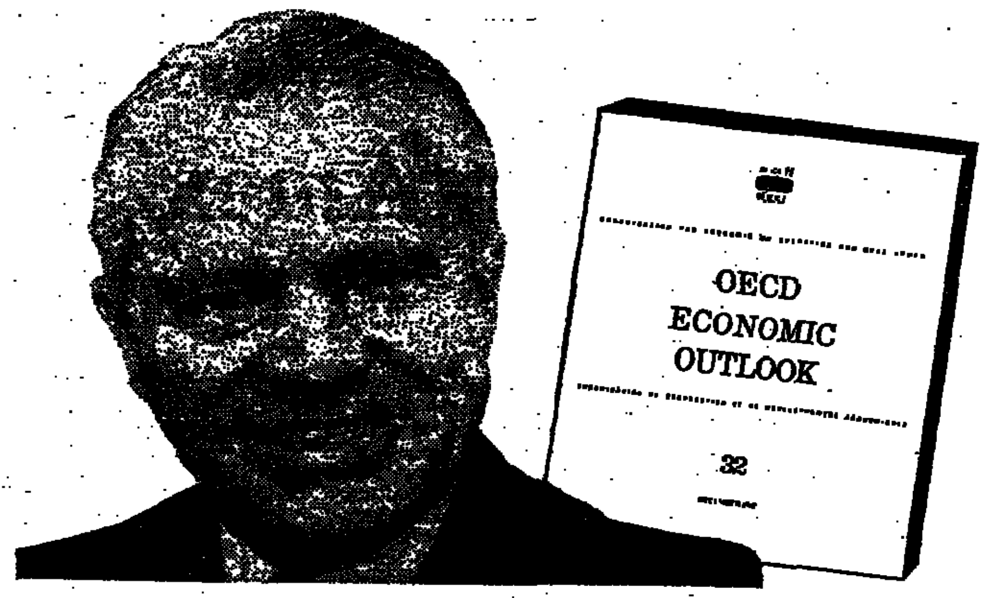
IN ONE out of the way corner of Paris, this week's international gathering of finance ministers and treasury officials has brought unexpected cheer. At the headquarters of the Organisation for Economic Co-operation and Development (OECD)—squeezed inconveniently between the Bois de Boulogne and the smart suburbs of the 16th arrondissement the Group of Ten meetings are seen hopefully as pointing to an end to the organisation's long period in the wilderness.

For one of the policy lines to emerge, of encouraging countries to pursue growth as far as their "room for manoeuvre" allowed, is one that the OECD secretariat has long preached. At last spring's ministerial meeting of the 24 industrialised member states, the Secretariat unsuccessfully pushed its plan for "differentiated" growth by which those countries with comfortable inflation and balance of payments positions would apply some measure of stimulus.

At the same time the new language of international consultation and co-ordination that has resurfaced (particularly in the U.S.) is music to the ears of an organisation whose *raison d'etre* is international co-operation. Since its genesis over 20 years ago in the wake of the Marshall Plan, the OECD's bread and butter has been the interrelated issues of trade, monetary and exchange rate policies.

But in recent years, its influence has been in decline. It was branded with what was thought of as a rather old-fashioned expansionism that was out of tune with what President Reagan was advocating in the U.S. or Mrs Thatcher in Britain, and which also worried the Germans and the Japanese.

As an organisation committed to economic co-operation it suffered from Mr Reagan's distrust of interference with market mechanisms. Among international institutions it has been losing ground to the IMF and even to the Bank for International Settlements (BIS). It has been squeezed out from its once central role in international economic policy making by the emergence of the Group of Five (the finance ministers of the U.S., West Germany, Japan, Britain and France) as the main steering group for the world economy. Even the OECD's economic forecasts have lost some of their authoritative status as the predicted recovery slipped further over the horizon.



Mr Emile van Lennep, secretary-general of the OECD

But apart from this week's meeting the Organisation has taken heart from other signs.

In Mr George Shultz, the new U.S. Secretary of State, the OECD has at last a friend in court in Washington. Mr Shultz was Treasury Secretary from 1972-74. He then worked closely with the OECD in putting the final touches to the flexible exchange rate system that was introduced in March 1973 and in co-ordinating the West's responses to the first oil shock.

It is also being more deeply involved in East-West questions. Mr Shultz called on Mr Emile van Lennep, the OECD Secretary-General, during his recent tour of Europe. One of the issues they discussed was the extended but controversial role being given to the OECD in monitoring East-West trade, and in particular energy and export credits.

This possible swinging back of the pendulum comes at a critical time when some of the most senior posts at the OECD are falling vacant. Mr van Lennep, only the second director the OECD has had in its history, is expected to retire in 1984. His contract was extended this year after an unseemly tussle between member states ended in a stalemate over appointing a successor. "Nobody of stature wanted the job because the OECD is still at a low ebb," says one official. Mr Stephen Marris, his British economic adviser, who has been with the organisation since 1953 and been most responsible for its economic philosophy, leaves next year.

Finally, the job of heading the 200 - strong Economics and Statistics Department, "the heart and strength of the organisation," also falls vacant next year when the three-year contract of Mrs Sylvia Ostry, its Canadian-born director, expires.

The U.S.—which has been behind many of the major initiatives and changes of direction in the history of the OECD is determined to seek more influence over the organisation.

Among international organisations, the OECD has a special role. It is a restricted club of the rich industrialised nations which had the advantage that in the early 1970s it could get agreement on a new exchange rate regime without consulting developing countries. Unlike the IMF it does not have the leverage of having its own resources or executive authority. It provides industrialised nations with the best equivalent to an international think tank. It also provides them with a forum to test the international repercussions of domestic policies.

Springing from its central preoccupation of economic policy, the OECD has also brought within its orbit other topics that contribute to growth or are affected by it—social affairs, environment, science and technology, and agriculture.

But economic policy remains the focal point of its activities. "The role of the Secretariat," says Mrs Ostry, "is to pin down crucial issues, then to carry out the best and most objective analytical work before translating this into something which is meaningful and strikes a bell with a busy policy maker."

To that definition Mr Marris adds that 50 per cent of the OECD's role is analysis. The rest is having the political "savvy" to get so close to the political thinking of major government that the secretariat can put forward its point of view with astuteness. Mr Marris likes to employ a favourite image of a "pilot fish swimming before a shark" in describing the OECD's role towards its member governments. "If it gets too far ahead its ideas are not followed. If it gets too close to them it is swallowed up."

In the 1960s the pilot fish swam confidently ahead of the shark. It was through the top treasury officials on Working Party 3 that the OECD effectively policed the system of fixed exchange rates. The Secretariat prepared the blueprint for the introduction of the Smithsonian parities in December 1971. It was equally prepared for the 1973 rise in oil prices and on October 9 was able to present governments with an analysis of their international and balance of payments consequences. But somewhere about that time the OECD's influence peaked, though in the later 1970s it inspired the "locomotive" or "convoy" theory of international growth under which a number of industrialised countries (notably Germany and Japan) were to expand their economies to help pull the world out of recession.

By the time of the Versailles summit this year the OECD had been brushed away from its place at the top table—its submission rejected even before it reached heads of government.

Of the factors that contributed to this loss of influence, the most important are:

● The collapse of the high growth consensus of the 1960s in which governments pursued common objectives.

● As a group of 24 nations the OECD was too unwieldy. "If the large states have dirty linen to wash, they prefer to do it in the privacy of smaller groups," says a French official. Out of that feeling grew the steering group of the seven summit participants, and more recently, since Versailles, the narrowing of that group down to the more regular meetings of the Group of Five.

● In the dispute between Keynesians and Monetarists, the OECD got caught on the opposite side of the fence to some of the major member states and lost clout because of it.

Regardless of these storms, the continuing strength of the OECD has been the quality of its analysis. Through its half yearly World Economic Outlook and its surveys of individual member countries, it provides the best comparable data by which to measure the individual performances of the major western countries and the most coherent set of world economic forecasts. "If I want to compare budget deficits in a non-contentious way, I turn to the OECD," said one economist.

Regaining its influence will be no easy task. The Secreteriat is somewhat in the situation of being a civil service without a government to serve. The economic summits and more recently the Group of Five which came closest to providing international leadership have set up their own ad hoc secretariats and committees. "They are in the process of creating new international institutions," says one official, "without seemingly being aware of those in existence." The OECD hopes to remind them that it is still alive and well.

Industry and the Recession

What Europe needs is a new 'Marshall Plan'

By Pehr Gyllenhammar

EUROPE HAS grave problems—no growth, mounting deficits, declining institutions, more people without jobs, little investment and sluggish productivity. Sometimes we get less out than we put in. We have low capacity utilisation and depressed profitability in industry.

Europe is not creating new resources, but is declining under the pressure of increased competition. When things are dying, clearly dying, we do not let them die any more. Companies do not go bankrupt the way they used to do. We try to restructure, preventing the creation of new dynamic structures. I think this is detrimental.

Another sign of weakness is the fragmentation of policy-making and of our global perspective. We deal with the world in terms of monetary policy, fiscal policy, social policy, employment policies, foreign policy and trade policy. All these are, of course, different aspects of one global policy.

We also lack a "people policy." We deal with people in terms of unemployment, retirement and child or medical care. We devote very little time to one of our greatest problems: the development of people's ambitions, ideas, initiatives, motivation. We are not discussing the true "social contract" that would make people contribute.

Most of our nations—and this is certainly true for my country Sweden—gave top priority to the redistribution of income and wealth. It was an easier job to implement welfare policies when there was growth.

We realise now that growth was taken for granted. We forgot how fragile was the process of creating resources, that historically people always fought for their survival. We took industry's stability for granted.

Industry today is a "minority citizen" in the Western world—in the sense that it does not employ the most important part of the workforce, in terms of capital employed, in terms of power. But industry is expected to deliver the bulk of national resources. It is now realised that the health of a country is related to the health of its industry.

In the 1950s and 1960s most adult citizens in any Western society had some link with industry. Either they worked with industry themselves or they had members of their family who were close to it. They had personal experience of industry and its basic conditions and competitive environment. They could clearly see that industrial efforts created resources and wealth.

Today this favourable attitude to industry is again prevalent throughout the Western world. But now industry is not performing with full vigour. What is the reason? Is it, as some people say, that industrialists today are refusing to invest? This is a nonsensical suggestion: to invest is basic for anyone

We need a perspective beyond the next quarter's inflation, interest rates or currency development

with a sense of responsibility and who wants to stay in business. It is natural to expand, but there are very few possibilities to do so because of the prolonged recession.

One may ask, has the whole system perhaps become ungovernable? Every country wants to create a turnaround. Many strategies, different policy approaches and schools have been tried, but none has been successful.

What is needed now is a new optimism. This would be an important element in starting a new phase of growth. Otherwise we will face disaster both in social and political terms. If we can engage our people in a new growth effort they will invest in their future.

Caution has become the conventional wisdom that bolsters continued stagnation, with every nation trying to solve its own problems and not co-operating with others. We are defending our shrinking industrial sectors and their employment. The results of this new isolationalism can be seen in international trade.

We need at this point to be offensive instead of defensive. We need to take a perspective beyond the next quarter's inflation rates, interest rates or currency development.

After World War II new international institutions were created. They gave people hope and expectations for a better future. These institutions and initiatives included the reconstruction of Europe, new monetary systems, new trade agreements, the Atlantic Alliance and the birth of European co-operation. These institutions have been successful and durable. They were not, however, designed for the present type of crises.

Some time ago I suggested that we need a new kind of "Marshall Plan" to get Europe going again. The Marshall Plan served—for a limited period—as an instrument to spur growth, and to build industry and infrastructure.

Europe's problems can only be solved through economic growth. We need expansion to create jobs in our industry and in the service sector. Growth can only come by the development of higher value-added products and increased productivity. A new investment pattern must be created to encourage this.

I believe strongly that industry must play an active and important role in the formulation of the industrial strategies for future growth: to identify investment opportunities in R and D, productivity, new capacity and industrial infrastructure. This should, indeed, be the responsibility of business. Co-operation on a European level will be necessary. Financial means must be developed to support the new investment pattern. A virtuous circle must be started soon.

A healthy, vital and growing Europe is of prime importance to the U.S., to Japan, to the growth of the less developed countries and therefore to world stability.

The process of wealth creation is international. Therefore any initiative to create a new industrial future for Europe is the business of all Europe. In symbolic terms we need a new "Marshall Plan" and the time has come for a new European initiative.

Pehr Gustaf Gyllenhammar is managing director of AB Volvo.

Letters to the Editor

Monopolies and Mergers

From Mr A Nelson, MP

Sir,—Mr Alister Sutherland (January 13) advances a dangerous line of argument in suggesting that the Monopolies and Mergers Commission must be satisfied that a merger is actively beneficial to the public interest rather than determining whether it is against the public interest. Such a presumption against mergers should find no place in law for, provided a merger is not actually detrimental to the public interest, why should anyone other than the shareholders have any say in the disposition of their interests?

In my view, the Monopolies and Mergers Commisssion has interpreted too widely the criteria laid down under Section 84(1) of the Fair Trading Act, 1973, in deciding what is against the public interest, not only in the case of Charter/Anderson Strathclyde, but also in the cases of Hong Kong Shanghai Bank/Royal Bank of Scotland, and Lonrho/House of Fraser. In each case the Commission allowed itself to make value judgments on the personality and outlook of directors, on the degree of autonomy of subsidiary companies, and on regional political factors well beyond ensuring a balanced distribution of industry and employment.

Insufficient emphasis is placed on the over-riding responsibility of determining whether a merger diminishes competition significantly and on the need to increase the return on capital employed throughout industry.

Last year I expressed concern to Lord Cockfield, the Secretary of State for Trade, about the negative tenor of a number of Commission reports and its presumption that it knew better what was in the interests of shareholders as well as the public. I therefore welcome the decision by Mr Peter Rees, the Minister of State for Trade, to reject the majority recommendation of the Commission in the case of Charter/Anderson Strathclyde. I am even more reassured that the final decision on what is or is not in the public interest should rest with Ministers rather than with unelected members of the Monopolies and Mergers Commission.

Ministers may not always make the correct decisions but on the whole they can be relied upon to make a finer judgment on where the public interest lies. There would be no point giving Ministers the final say if they were only allowed to endorse the majority findings of the Commission.

Anthony Nelson.
House of Commons, SW1.

Politics in Totnes

From the Labour Prospective Parliamentary Candidate, Totnes

Sir,—In Ivor Owen's article (January 11) on the sorrowful state of the Totnes constituency Conservative Association, and whom should have the "privilege" of being represented by Mr Mawby following the next General Election, your paper's usual political balance seemed to disappear.

In case it escaped the notice of readers, (as it surely did, for it was not mentioned), the constituents of Totnes, if new boundaries are not implemented in time, will also have a Labour candidates to vote for. I can assure readers that my party will be working at least as hard as apparently are some of his own association members, to unseat Mr Mawby. I am also quite sure that if boundary changes do take effect, the two new constituencies will select Labour candidates. Because, however, in the Labour Party selection is by a democratic method involving all party members, internecine gerrymandering will not form part of that process as it seems to in the various Conservative Associations in the South West Region.

Mike Loughlin.
32 Fearnville,
Clevedon, Avon.

The Charter bid

From Mr C. Bingley

Sir, — The conduct of the board of Anderson Strathclyde in relation to Charter Consolidated is increasingly questionable.

Charter's first bid of 135p is lost long since. Recently, the board of Anderson has been spending shareholders' funds, and now threatens to spend even more in the law courts, on attempts to thwart an improved bid from Charter.

Anderson's shareholders, of whom I am one, are entitled to hear Charter's revised bid, if one is to be forthcoming, before its board spends their money try to pre-empt such a bid.

Clive Bingley
16, Pembridge Road, W11.

The linked life market

From Professor C. Mundle

Sir,—Your article "The battle of the linked life market" (January 8) drew attention to astonishing facts on which you did not comment as such.

Managements which issue insurance bonds linked to unit trusts differ very widely in the gains allotted to their holders considered as proportions of the gains made by the unit trusts to which the bonds are linked. According to your figures for 1982 a bondholder's share of the unit trust gains ranged from a mere 35 per cent (Britannia Gold and General) to almost 93 per cent (Gartmore Special Situations). How can this be explained or justified?

To a lesser degree the same anomaly is found when one compares the gains allotted to holders of investment bonds with the gains made by the unit trusts in which they are invested. I give an example taken at random (I have not done the gains for other cases). Having lost your price list for January 2 1982, I take the year from January 9 1982 to January 8 1983. During the period M & G's American and General trust gained 51.9 per cent and its American Bond fund, invested almost exclusively in that trust, gained slightly more—53 per cent. Henderson's North American trust gained 57 per cent and its American Bond fund gained 47 per cent.

Hence the surprising situation that although a holding of Hendersons' North American trust gained almost 10 per cent more than M & G's corresponding trust, a holding of Henderson's Bond gained 11.5 per cent less than a holder of M & G's corresponding bond.

I am not unaware of the fact that Henderson's American Bond fund is now partially invested in its American Smaller Co. and its American Recovery trusts. Taking account of this fact, however, heightens the contrast I have made above. For whereas Henderson's North American trusts gained 57 per cent, its American Smaller Co. trust gained 62 per cent and its American Recovery trust has, since its launch seven months ago, gained 60 per cent.

(Prof.) C. W. K. Mundle,
Ashcliffe,
Dunning,
Perthshire.

Basic factors for employment

From Lt Col A. Campbell

Sir,—There are five basic factors, which enable the Mondragon group (December 14) to maintain virtual full employment for 20,000 members.

There is the long term policy of giving security of employment priority over maximisation of earnings. When continuously pursued, this has a greater effect than might be thought.

There is the absence of any commitment to wages — although it is current policy not to let cash drawings fall below 80 per cent of comparable wages.

The management division, as well as advising on commercial matters, also advises on how the enterprises should be organised so as to motivate their members to stick to them. (In that respect, few of the "co-operatives" and "common ownerships" currently operating in Britain would qualify for a Mondragon bank loan.)

There has recently been a successful policy of getting most of the enterprises to join together in local or trade federations, in which the member enterprises delegate a degree of control to a central board. This strengthens individual businesses, without denying their owners ultimate control of their own affairs.

There is the point that all managers and staffs are controlled by elected directors. Thus the bank directors are elected by enterprise representatives on the basis of one representative per hundred members. The result is that facts presented by management are believed and managerial plans are seen as being made by fellow workers.

Alastair Campbell.
Ord House Cottage,
Muir of Ord,
Ross-shire

An improved performance

From Mr W. Grey

Sir,—The comparable 14 per cent higher operating profits on a 6 per cent higher turnover reported by NFC, the former state-owned National Freight Company, must have gladdened not only its own workforce, by whom it is now controlled, but also those who have long believed in such worker participation.

Would that Mr Norman Tebbit, in his zeal for trade union reform, and above all an embattled Chancellor, spare a thought for giving more power to the same elbow! This vistas this opens up for industrial relations, competitiveness and an improved economic performance generally are more exciting still.

W. Grey.
12, Arden Road,
Finchley N3.

FINANCIAL TIMES
Wednesday January 19 1983

MANUFACTURERS HANOVER AND BANKERS TRUST SHOW STRONG GAINS

Citicorp lifts income by 35%

BY RICHARD LAMBERT IN NEW YORK

THREE of the big New York banks yesterday reported strong earnings gains for 1982. Citicorp's consolidated income before securities transactions rose 35 per cent to $747m and Manufacturers Hanover's operating earnings increased by 15.5 per cent to $296.3m. Bankers Trust's income before securities transactions rose by 19 per cent to $228.5m.

In the fourth quarter, Citicorp's operating income fell by $27m to $190m, but the comparable 1981 quarter had included a $41m non-taxable gain from an equity-for-debt swap.

A feature of the year was that the individual banking business achieved "solid profitability" in contrast to losses incurred during a period of costly expansion in prior years.

The group's net interest revenue climbed by 42 per cent to $3.5bn over the year, and non-interest revenue showed a slight increase. Earnings were charged a total provision for possible loan losses of $473m, reflecting actual net write-offs of $376m and a $97m addition to the total allowance. A year ago, the comparable figures were $256m and $49m.

Non-performing loans at the year-end amounted to $1.7bn, an increase of $626m, and represented 1.9 per cent of all loans outstanding.

The increase stemmed predominantly from Citicorp's overseas offices, with Mexican and other Latin American private sector borrowers making up the largest component of the increase.

Roughly a third of the non-performing loans reported a year aog have regained full-earning status or had prinicipal payments received.

Fully diluted earnings per share rose by 33 per cent to $5.33. Net income in the final quarter amounted to $1.42 a share.

Manufacturers Hanover's net operating earnings rose by 20 per cent to $85.1m in the final quarter of the year, although net income per share was unchanged at $2.05 after allowing for dividend requirements on $400m of preferred stock issued earlier in the year.

Net income for the year came to $7.78 a share. The bank said its results reflected a substantial increase in net interest revenue, which included a dramatic turnaround in the earnings contribution from its fixed-rate asset portfolio. Net interest revenue on a taxable equivalent basis rose by 23.6 per cent to $1.6bn reflecting higher loan volume and wider margins.

The year's provision for possible loan losses totalled $158.6m, compared with $134.9m a year earlier.

Net charge-offs rose from $78m to $111.6m. In the final quarter, $54.3m was provided for possible loan losses, compared with $49.1m in the same period of 1981.

The bank said that its non performing loans at the close of the year were less than 10 per cent higher than at the end of the third quarter.

A feature of the Bankers Trust figures was a sharp increase in securities trading profits, which rose $41.6m to $81.1m, and a $15.5m rise in foreign exchange trading profits to $46.3m. Commission and fee income also showed significant growth.

The provision for credit losses amounted to $114m for the year, compared with $60m in 1981. Net charge-offs totalled $87.7m, up from $43.8m. Non-performing loans increased over the year from $400m to $444m.

Net income after securities losses in the final quarter fell from $56.8m to $43.9m. For the year, net income came to $7.56 a share, up from $6.89 in 1981.

Paul Taylor writes: Yesterday's results contrasted with the sharply lower fourth-quarter and full-year profits reported on Monday by Chase Manhattan, the third largest U.S. bank.

The downturn at Chase largely reflected the bank's dealings with the failed Drysdale Government Securities firm and Oklahoma City's Penn Square Bank.

Operating earnings in the fourth quarter fell by 29.9 per cent to $108m, compared with $154m in the same period in 1981.

Securities losses of $79m reduced the final-quarter net earnings to $100.3m or 2.55 a share, against a final net of $129.3m or $3.66 a share after security losses of $24.3m in the 1981 period.

Full-year operating earnings fell by 25.2 per cent to $322m or $6.79 a share compared with $444m or $12.53 a share in 1981. Securities losses for the year reduced net income to $307m or $7.73 a share compared to $412.2m or $11.56 a share in the year earlier.

The failure of Drysdale, a small Wall Street security dealer, resulted in a 117m after-tax write-off in the second quarter which forced the bank to report its first-ever quarterly net loss of $16.1m in that period.

In the third quarter earnings improved, although the bank's involvement with the failed Penn Square Bank sent non-performing loans soaring.

Chase said its provision for possible loan losses was $263m in 1982 compared with $211m in 1981.

Sanyo to produce VTRs in Britain

By Jurek Martin in Tokyo

SANYO has become the first Japanese electronics company to announce production of video tape recorders (VTRs) in Britain.

After talks in Osaka yesterday between Mr Patrick Jenkin, the UK Industry Minister and Mr Kaoru Iue, chairman of Sanyo, the company disclosed that, in September or October, it will begin to assemble 5,000 VTRs a month at the factory in Lowestoft, Suffolk, where it produces colour televisions.

The longer-term intention is to double output to 10,000 a month of its VHS system VTRs and rely increasingly on British, not Japanese, components.

An estimated 100 extra jobs will be created at the Lowestoft plant, which was acquired from Philips in 1981 and employs 150 people. Mr Iue will visit Britain next month to finalise the details.

The Sanyo commitment, known to have been under consideration for several months, is probably more noteworthy for its symbolic political significance, to Britain and Japan, than for its inherent commercial impact, which is quite modest.

Rather like the Matsushita-Bosch deal cemented last week and involving VTR production in West Germany, the proposed volume from the British operation is small in market terms. Sanyo itself already ships 30,000 VTRs a month to Europe from Japan.

Nevertheless, the British Government can claim that its consistent efforts to attract direct Japanese investment to the UK have again borne fruit.

Particular satisfaction may be gained from the fact that this is a VTR operation, which has been a British priority in government-level discussions with the Japanese.

So far, the four Japanese companies to commit themselves to European VTR production – Sony, Hitachi, Matsushita and NEC – have opted to set up in West Germany, citing the superior quality of the labour force and the technical support available in the Federal Republic.

Mr Jenkin's travelling party, on the last leg of an Asian tour, was described last night as euphoric over Sanyo's decision and it was even expecting to be able to announce another Japanese investment in Britain shortly.

In Tokyo, however, it is thought unlikely that Mr Jenkin will be able on this visit to overcome Nissan's reluctance to establish an assembly plant in Britain or to create a greater Honda association with BL, the state-owned car group. He is due to meet officials from both companies tomorrow and on Friday.

From the Japanese standpoint, the Sanyo decision can be portrayed as demonstrating an increasing awareness of European concerns over the imbalance of trade in technological sectors.

The European Community is putting additional pressure on Japan to curb its exports of VTRs. But last week, in talks with EEC officials in Tokyo, the Ministry of Trade and Industry (MITI) refused to commit itself to quantitative restrictions on VTR shipments to Europe.

The assembly of VTRs in Europe, however, might enable Japanese companies to continue their hold of the European market, should trade relations deteriorate to the point where Europe raises barriers against direct Japanese imports.

Sanyo will be the second company to make VTRs in Britain. Thorn EMI began last autumn assembling machines at Newhaven, Sussex.

THE LEX COLUMN

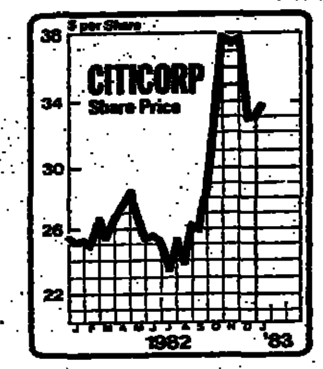
An Amex gold card for Mr Safra

Over the past two years, American Express has executed one of the most remarkable U-turns in international banking. Early in 1981, Amex bought Shearson Loeb Rhoades, the Wall Street brokerage house, for $826m and promptly nailed a For Sale sign over its offshore banking subsidiary. Now it is proposing to pay the equivalent of $550m the bulk of it in Amex paper – for the non-U.S. operations of Trade Development Bank, the highly discreet financial institution controlled by Mr Edmond Safra. The combination will produce one of the largest offshore banking operations in the world.

Amex is paying a rich price for this privilege. The deal values TDB at a premium of almost 50 per cent to reported net worth at a time when U.S. bank shares are trading at an average discount of about 30 per cent. TDB itself is capitalised in the market at about $570m but, on paper at least, roughly $250m of this represents its 61 per cent holding in Republic New York, which is not part of the transaction.

TDB can, however, boast returns on equity of about 20 per cent – half as much again as the recent average returns of the U.S. banks – and the mysterious Mr Safra will take up the reins of the enlarged banking operation. Moreover, the two companies should make a neat fit, with TDB providing an extensive client base to tap the extremely wide range of investment services provided by Amex.

Yet it is hardly a marriage which will make bank regulators sleep easy at night. Precisely who would be responsible for this offshore Leviathan, with total assets of almost $13bn, in the event of trouble, is a question best not asked.



Trident

After the whirlwind of activity in which Trident TV has been involved, the actual profit figures for the year to September seem somewhat prosaic. In fact the second half prdueed a modest pre-tax profit of £0.4m, taking the full-year outcome to £4.3m, even though running an empty Playboy Club cost £1.8m in exceptionals and closure a further £1m in extraordinaries. The diversion of management attention to casinos also appears to have had a depressing effect elsewhere, with a £3.5m write-off required on the U.S. film division.

A healthy trend in casino profits means that the company is on an even keel for the current year. On the assets side, the gamble in casinos has reduced net worth from £32.5m to £22.6m. But pre-tax profits may be in the region of £7m or £8m, which compares with £7.4m in the year to September 1981. Since Channel Four obligations will be depressing TV contractors' earnings in the current year, Trident looks to have emerged a more profitable animal since the divestiture order of the IBA, although there may be cavils about quality of earnings. The shares were unchanged yesterday at 78p, producing a prospective p/e of about 10, fully taxed.

U.S. banks

The year-end results of the U.S. money centre banks, now being reported for 1982, rarely reflect significant differences over how best to treat a major problem. But to the select list of headaches which caused a breaking of the ranks – of which a notable example was the Herstatt collapse – should now be added the Mexican crisis of 1982.

Arrangements were made last year for Mexican dollar borrowers in the private sector to service U.S. loans in pesos. The banking results out so far this week suggest that the loans serviced on time have been treated as current and interest accrued in the normal way. Unfortunately, some of these pesos arrived after the end of the year, producing a variety of responses among the banks.

Citibank appears so far to have taken the most conservative approach, cancelling the accrual of the affected interest in their fourth quarter and adding the loans to their non-performing portfolio. This probably accounted for a quarter of the $200m increase in Citibank's non-performing loans over the three months – helping the year's increase to a huge $626m – so the sums involved are not trifling. Some competitors, meanwhile, have left their books open for several more days to accommodate the late arrivals.

Chase Manhattan, meanwhile, has confused most of Wall Street by taking a compromise line. It has quantified $300m of Mexican assets as the offending portion but has not added them to its non-performing portfolio, which rose by $78m in the fourth quarter. On the other hand, Chase has cancelled the accrual of the interest involved. It is by no means clear how the negative impact of this cancellation on after-tax earnings can be as little as $8m – given the $300m figure.

Discrepancies between the accounting procedures of different banks on what is, after all, a fairly specific problem certainly strengthens the argument for inviting national – if not international – banking authorities to provide some formal guidelines in difficult cases.

Burton Group

The Burton Group's interest in UDS's loss-making Richard Shops (RS) makes eminent sense for a revamped company in a buoyant growth phase. To buy the RS portfolio of 217 outlets would more than meet Burton's objectives of adding 150 shops to its 750 units, while creating the opportunity to attack a slightly older sector of the women's fashion market. It might also be easier to buy shops in bulk, and it would eliminate a potential competitor (the Office of Fair Trading permitting) which could be brought back to life either by its present management or the Bassishaw Investments bidders for UDS.

But is there a potential seller at the other end of the equation? The recent success of Hepworth's Next shops has shown what a new top management at UDS might achieve with a chain like RS. But UDS could be tempted to sell a business which has been in loss for the past three years; and turning RS's property to resist the Bassishaw offer, to say nothing of removing a business in which the predators have a particular interest. This is a point which Bassishaw itself virtually admitted last night in asking for a freeze on UDS's assets. UDS's defence document, due within the next few days, might give more clues on the worth of RS, estimated in the City of London at around £25m, or 13p a share.

Herr Hans Dietrich Genscher

Hopes rise for end to EEC fish row

By Larry Klinger in Bonn

HOPES FOR an end to the bitter fisheries dispute between Copenhagen and its nine EEC partners rose last night following a third round of emergency talks in Bonn, involving Denmark, West Germany, and the European Commission.

While no details emerged of the proposed agreement, a spokesman for Herr Hans Dietrich Genscher, the West German Foreign Minister and current president of the EEC Council of Ministers, said that all three parties were convinced that they had worked out new arrangements that could be approved at the Council of Fisheries Ministers meeting in Brussels next Tuesday.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, would be recommending acceptance to his Government and M Gaston Thorn, the President of the Commission, would be doing the same in talks with the other nine EEC member-states, the spokesman said.

There remain, however, several important obstacles to be overcome. The minority Danish Government needs to win over its parliamentary opposition, while the Commission must convince the other main fishing nations, especially Britain, that any new arrangements will not undo the basics of the package agreed unanimously by the Nine at the end of last year.

Apart from Copenhagen's well-known desire to have guarantees on future mackerel catches, the Bonn talks are understood to have centred on:

- suggestions for improvements in the Community's catch reporting system which might give Denmark greater opportunities if other member-states failed to meet their own quotas;
- possibilities of extra cod becoming available in the EEC's arrangements with neighbouring fishing countries.

British manufacturing output falls to lowest for 16 years

BY MAX WILKINSON, ECONOMICS CORRESPONDENT IN LONDON

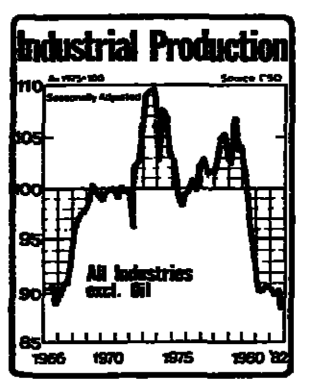
BRITAIN'S industrial output continued its decline in November, with manufacturing activity at its lowest level for nearly 16 years, according to official figures published yesterday.

This continued depression of UK industrial activity is bleak news for the Conservative Government of Mrs Margaret Thatcher, which had hoped that lower interest rates and the recent fall in the inflation rate would stimulate a moderate but sustained recovery.

Hopes of this recovery have been progressively postponed since last spring partly because of the depressed outlook for the world as a whole. Signs of revival are still sparse, in spite of the 4½ per cent real increase in spending in shops in the last three months of 1982 compared with a year earlier.

In November, manufacturing output had fallen to 19 per cent below its level when the Thatcher Government came to power in the spring of 1979 – at the peak of the last economic cycle.

The November index for overall industrial production was 12 per cent below what it had been in the second quarter of 1979, but if North Sea oil is excluded, the fall in industrial output was 17 per cent during the period.



By comparison, industrial output in the developed world as a whole fell by about 4 per cent during the period. Most of that decline took place last year, with the average level of production in the third quarter of 1982 4 per cent below its level in the fourth quarter of 1981.

The UK Government's index of overall industrial production for November was at its lowest since the winter of 1975. The index for all industries, excluding North Sea oil, was at its lowest since the winter of 1966, and the index for manufacturing industries at its lowest since the beginning of 1967.

In the three months to November, industrial production remained almost unchanged, compared with the level in the previous three months and the level in the same three months a year earlier. Output, excluding oil, fell slightly in the periods.

The November figure is particularly disappointing since it shows industrial output down by more than 1 per cent, against the October level.

In the late autumn, output fell in most sectors compared with the levels in the summer, although there was a modest improvement from a low level in the clothing textiles and footwear sector.

The only consistently buoyant sector was North Sea oil and gas production, which increased by 27 per cent between the spring of 1979 and the autumn of last year.

The underlying level of total industrial output after taking account of changes to stocks is estimated to have risen by about 2 per cent since its lowest level in the spring of 1981. The rise in oil production, however, accounts for nearly all of this increase. If this is excluded, the underlying level of output is estimated to have risen by less than ½ per cent in the period, while manufacturing output is thought to have fallen by about ½ per cent.

Caterpillar plunges into loss

By Our New York Correspondent

CATERPILLAR TRACTOR, the leading producer of construction and mining machinery, lost $204m (£128m) in the final quarter of 1982, compared with $103.3m profit a year earlier.

Large parts of the company's operations were closed throughout the final quarter because of a strike by the United Auto Workers (UAW) and sales in the period plunged from $2.27bn to $960m.

For the year as a whole, Caterpillar ended in the red for the first time for 50 years, with a loss of $180m, compared with a profit of $579m in 1981.

The UAW strike has not yet been resolved, and there have as yet been no signs of any movement towards a settlement.

This is by no means the only reason for the company's troubles. Last week, Caterpillar announced that it was about to lay off around 1,000 more salaried workers indefinitely

Diversity keeps GE earnings buoyant

BY OUR NEW YORK CORRESPONDENT

GENERAL ELECTRIC's net income in 1982 rose by about a tenth to $1.8bn despite sharply lower profits from its consumer products activities and an overall 3 per cent decline in revenues. Earnings in the fourth quarter were 16 per cent higher at $524m.

Mr John Welch, chairman, said that the giant industrial group's relatively good performance in the year stemmed from its leadership in several diverse businesses, and from the success of its continuing efforts to cut overheads and improve operating efficiencies.

A number of GE's activities achieved excellent growth in the year, Mr Welch added. These included GE Credit Corporation, with earnings of more than $200m; the construction and installation engineering and nuclear power systems businesses; aerospace and military jet engines; and medical systems.

Gains here more than offset lower earnings in areas such as television, lighting, engineered materials and plastics.

Mr Welch said that incoming order rates across consumer, contractor equipment, and the components and materials businesses improved gradually during the last 10 weeks of the year.

"General Electric enters 1983 on a relatively optimistic note," he added. With one caveat about interest rates, the group's economists were looking for an improvement in the U.S. economy during the year, tilted somewhat towards the second half.

Research and development spending again totalled about $7.7bn in 1982, with heavy investments in medical electronics, robotics, large scale microelectronics and defence – related activities. Spending on plant and equipment was cut to $1.6bn.

GE's financial position strengthened over the year. Cash and marketable securities climbed by more than $160m to nearly $2.6bn. The debt-to-capital ratio was 16.5 per cent, against 19.4 per cent at the end of 1981.

UK inquiry clears Thatcher

Continued from Page 1

Argentines in September 1981 when he agreed that Britain should try to spin out negotiations when it had nothing new to offer.

Bridget Bloom writes: Lord Carrington said last night that, given what he knew at the time, the decisions he took during the build-up to the invasion were reasonable. In the same circumstances, he would probably take them again.

He said that, with hindsight, he would like to have sent a nuclear-powered submarine to the South Atlantic in early March but at the time was afraid that such a gesture would have brought an end to negotiations with the Argentine Government.

He also regretted not being able to convince Mrs Thatcher and ministerial colleagues that the survey ship Endurance should not be scrapped in the 1981 defence review.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	14	57	Malaga	F	16	61	Salzburg	S	14	57
Akrotiri	F	13	55	Faro	C	16	61	Malta	F	15	59	Seoul	–	–	–
Algiers	C	20	68	Florence	C	12	54	Manila	S	36	97	Singapore	R	29	84
Amsterdam	C	8	46	Frankfurt	C	5	41	Miami	S	22	72	Stockholm	Sn	-2	28
Athens	S	13	55	Funchal	–	–	–	Milan	S	14	57	Strasbourg	C	7	45
Bahrain	S	20	68	Geneva	S	9	48	Moscow	S	1	34	Sydney	S	26	79
Bangkok	S	33	91	Gibraltar	–	–	–	Munich	S	8	46	Taipei	C	14	57
Barcelona	S	14	57	Guernsey	F	8	46	Nairobi	–	–	–	Tangier	F	16	61
Beirut	R	11	52	Helsinki	Sn	-2	28	Naples	C	13	55	Tehran	–	–	–
Belgrade	S	15	59	H Kong	C	19	66	New Delhi	S	21	70	Tel Aviv	C	11	52
Berlin	R	5	41	Innsbruck	S	7	45	New York	S	-1	30	Tenerife	S	21	70
Biarritz	C	11	52	Inverness	Sn	1	34	Nice	S	13	55	Tokyo	R	8	46
Blackpool	F	5	41	Istanbul	F	6	43	Oporto	S	12	54	Toronto	C	-8	18
Bordeaux	C	5	41	Jersey	S	8	46	Oslo	Sn	-3	27	Tunis	S	14	57
Brussels	R	8	46	Jo'burg	R	23	73	Paris	C	9	48	Valencia	S	15	59
Budapest	S	10	50	Las Palmas	S	19	66	Prague	Sl	5	41	Venice	F	5	41
B. Aires	C	27	81	Lima	S	27	81	Reykjavik	C	-3	27	Vienna	S	10	50
Cairo	R	14	57	Lisbon	S	15	59	Rio de J'o	C	35	95	Warsaw	R	5	41
Cape Town	–	–	–	Locarno	S	9	48	Rome	S	15	59	Zurich	S	4	39
Caracas	S	28	82	London	S	6	43								
Casablanca	–	–	–	Los Angeles	C	19	66								
Copenhagen	R	8	46	Luxembourg	R	3	37								
Corfu	S	16	61	Madrid	S	16	61								
Dublin	S	7	45	Majorca	S	15	59								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Group of Ten accord

Continued from Page 1

In their final communiqué ministers said that higher growth was necessary to ease international trade and debt tensions. In a move that could pave the way for possible stimulus, they asked the Organisation for Economic Cooperation and Development (OECD) to examine "whether further steps can be taken to ensure renewed and sustained growth."

The communiqué, which stressed the importance of the fight against inflation and of durable economic growth, took the industralised nations a little further towards an expansionary strategy.

But it fell short of endorsing the line, favoured by M Delors, of encouraging stimulus in countries with low inflation and comfortable balance of payments positions.

M Delors said he had heard "more encouraging" words on growth in recent meetings with top U.S. officials. He said that it was now a question of translating these into action in the lead-up to the Williamsburg summit of industrialised nations in May.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, A.V. Hare, R.A.F. McClean, M.C. Gorman, B.A. Lawrence, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: John Davies, Frankfurt/Main.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday January 19 1983

Safra will do nicely, says Amex

BY WILLIAM HALL IN LONDON AND PAUL TAYLOR IN NEW YORK

"WE ARE MARRYING a unique semi-tapped private client base with a very powerful range of financial services" is how one senior executive sums up the proposed marriage between American Express's offshore banking arm and the non-U.S. banking interests of Mr Edmond Safra, who controls the biggest private banking empire in the world.

The $550m deal will create one of the biggest offshore banks in the world, with offices in nearly 40 countries, assets of $13bn and shareholders funds of around U.S.$750m.

After American Express' acquisition of Shearson Loeb Rhoades last year, the group is one of the biggest players in the worldwide financial services industry with interests ranging through banking, stock broking, insurance and travel. The one thing it lacked was a big private client base and this is where Edmond Safra's Trade Development Bank fits in.

It is one of the most secretive but by all accounts most successful banks on the international scene and with offices ranging from Monte Carlo and Geneva to London, New York and Montevideo, has built a highly loyal personal client base.

It has also built a reputation in trade financing, correspondent banking and also bank note and bullion trading – two areas where American Express has no real exposure.

Mr James Robinson, chairman and chief executive of American Express, says to "we are estatic about having been able to pull this off. Edmond Safra is a unique individual. "His experience in the banking business is second to none. His perspective towards picking the niches in the banking business and concentrating on those niches is very much the kind of philosophy we have."

"The Trade Development Bank was really the kind of bank that I have long felt we should be. In the last couple of years we have been moving precisely in that direction so the philosophy, the attitude towards the market place, the emphasis on private banking, the emphasis on management of the liability side of the balance sheet, I think will fit uniquely well with TDB."

"By combining with TDB we are essentially achieving our five year objective overnight in terms of what we targetted in private banking. We wanted to have $6bn under management by 1986 and the combination of the two banks will give us that on day one."

Commenting upon the merger Mr Robinson said "It was a moonshot for us. We indentified TDB as a jewel in the banking world, Edmond is the man who energised and built that jewel, we went at it and won it."

One year ago American Express said it had launched a project codenamed "Copper" "so no one would know we were looking at TDB" said Robert Smith. (Robert Smith presently Vice Chairman of AEIBC will become President as well as chief operating officer of the combined bank worldwide.)

Mr Smith said the object of the "copper project" was to "emulate and follow TDB".

In October American Express approached TDB and Mr Edmund Safra suggesting thoughts on a proposed merger. Both Mr James Robinson and Sandford Weill visited Europe to conduct negotiations with Safra and the deal was finally signed in Montreal at 2.12 a.m. yesterday morning.

Mr Rodney Leach, an English executive director of Trade Development Bank, describes the deal as a "logical fit especially when you see the direction the financial services industry is going." American Express will be able to provide Trade Development Bank's customers which a much wider and more sophisticated range of financial services.

He stresses that both participants are 'extremely profitable and conservative' and neither side has faced any difficulties in the recent uncertain international banking climate. Quite the reverse says Mr Leach who notes that Trade Development Bank has been almost embarrassed by the numbers of people wishing to deposit money with it.

Nevertheless, the merger marks a major change of direction for both banks. Less than a year ago, Mr Safra announced plans to merge his Luxembourg-based master company, Trade Development Bank Holding (TDBH) with its New York affiliate, Republic New York Corporation, which accounts for about half the capital and earnings of the Trade Development Bank Group.

Although American Express and Trade Development Bank had considered bringing Republic National into the latest deal, the idea was dropped because it raised too many legal complications. Under the current plans, Republic National, which is 61 per cent owned by TDBH, will continue on its own path.

Until relatively recently American Express offshore banking arm has suffered from management uncertainty over its future direction. In June 1981 it was revealed that Amex wanted to sell its offshore banking interests.

Then, in August 1981 AEIBC'S chairman and chief executive – Mr Richard Bliss – resigned after it was learned that Amex had changed its mind and would not be selling the bank after all. Mr Bliss was replaced by Mr Alva O. Way, who resigned this week to go to Travellers corporation.

The autumn of 1981 saw Amex engage in an extensive internal review of the AEIBC management policies and personnel. In March of last year the results of this review became clear when it emerged that AEIBC had dismissed 21 executives in a major shake-up.

Mr Safra controls one of the world's biggest and most mysterious banking empires. His family started a banking business, Safra Freres, well over a century ago at the height of the Ottoman Empire.

The family financed trade between Aleppo, Constantinople (Istanbul) and Alexandria. After the end of the Ottoman Empire, Jacob Safra, a former partner of Safra Freres, set up a separate banking business under his own name in Beirut. As this city developed Jacob Safra became increasingly involved in financing international trade and is dealing in foreign exchange, gold bullion and banknotes.

In 1952 Jacob Safra and his family moved to Brazil and three years later in conjunction with his son, Edmond Safra, then aged 23, formed Safra SA in São Paulo which later changed its name to Banco Safra de Investimentos. Since 1963 this bank has been owned and managed by other members of the Safra family.

A year after having helped set up the Brazilian bank, Edmond Safra returned to Europe and established Sudafin Societe Financiere in Geneva. This was upgraded into a bank in 1960 and its name changed to Trade Development Bank, the nucleus of the group today.

In January 1965 TDB opened its first London branch and nine months later Republic National Bank was incorporated in New York with TDB subscribing 36.4 per cent of the initial share capital. In 1969 TDB injected fresh capital and took majority control of the U.S. bank, and in 1972 Trade Development Bank Holding (TDBH) was established in Luxembourg and became the holding company for the group.

At the same time it became a public company with its shares listed on the stock exchanges of Luxembourg and London.

Yugoslav venture in Germany collapses

By Aleksandar Lebl in Belgrade

A FOUR-YEAR attempt by Gorenje, a Yugoslav household products company, to save a West German colour television set manufacturer has failed. Six hundred people are to lose their jobs at Gorenje Korting Electronics (GKE) of Grassau and the Yugoslav enterprise has lost a total of DM 146m ($62m) in the venture.

The purchase of a Western company in trouble by an enterprise from a Socialist country caused great interest in Germany in 1978. Gorenje, with the financial backing of the Bavarian Government, poured in fresh capital to the electronics company. The Yugoslav company, which hoped to gain a foothold in Germany and the EEC and benefit from Korting's research and development, also brought in new management and tried to streamline operations.

But the recession hit the market for GKE products which were reported to be of high quality but expensive. Losses went up from DM 221,000 in 1978 and DM 229,000 in 1979 to DM 65.8m in 1980, DM 48.2m in 1981 and an estimated DM 32m in 1982.

Gorenje will maintain a small team of researchers in measuring techniques, informatics and communication systems in Grassau and 110 Yugoslav workers have been offered jobs in Yugoslavia.

French banks move further towards the electronic age

BY DAVID MARSH IN PARIS

BANQUE Nationale de Paris (BNP) and Credit Lyonnais, the two largest nationalised French banks, have announced agreements with French electronics companies to expand their data transmission and automatic banking networks.

BNP, the largest of the Big Three Paris banks, has signed an accord with Cii Honeywell Bull, the financially squeezed national computer group, to speed up the bank's entry into the electronic age.

The agreement will allow BNP to build up its general computerised information systems and to expand the use of video-screens as working instruments by bank staff. It will also promote electronic banking through self-service machines for customers.

Cii Honeywell Bull and BNP are starting studies on the project. This will lead to operational introduction next year and entry into full service progressively through the second half of the 1980s.

The second agreement, with Credit Lyonnais, involves SESA, the private French computer company built up by M Jacques Stern, the present chairman of Cii Honeywell Bull.

SESA, in which the Cape Gemini Sogeti information-technology group recently took a 35 per cent stake, will provide the bank's future data network, based on the company's new video-text product "DPS 25".

This data packet switching system has been sold abroad, and its U.S. customers include Chase Manhattan and Honeywell.

French banks are trying hard to reduce their international lag in electronic banking. One of Cii Honeywell Bull's principal activities, under its recently reorganised operating structure, is the development of "smart" memory cards for financial transactions and other uses.

Honeywell earnings increase to $273m

BY OUR FINANCIAL STAFF

HONEYWELL, the U.S. maker of information processing and control systems, has reported a 15 per cent fall in fourth quarter net profits to $88m, or $3.98 a share, from $103m, or $4.49, a year earlier.

For the full year ended December 31, net profit was ahead by 5 per cent to $272.9m, or $12.16, from $259.3m, or $11.38, a year earlier.

Resultls were distorted, however, by a number of extraordinary items. The latest fourth quarter and year net profits include a $15.8m charge for the consolidation of the information system division.

The 1982 full year net included a $66m gain from divestiture of a 16 per cent interest in GE Information Services and the reduction of Honeywell's stake in Cii Honeywell Bull of France. Both years' results were also affected by minor tax and foreign exchange items.

Fourth quarter sales were stagnant at $1.57bn, up $5m from a year earlier. Full year sales were $5.49bn compared with $5.35bn in 1981.

Honeywell hopes to match this year its 1982 operating performance if there is a modest economic recovery, although the upturn may come too late to benefit first half earnings. Net profits in the first half of 1982 were $141m on revenues of $2.58bn.

The recession in 1982 impaired the performance of two of its four divisions with its information systems division affected the most severely.

Operating profits for information systems fell to $80m from $158m in 1981, and revenues slid to $1.69bn from $1.77bn last year.

Operating profits in control products slid to $73m from $89m, reflecting depressed markets for industrial components and residential controls.

Rescue plan for Ontario Crown Trust

BY NICHOLAS HIRST IN TORONTO

PLANS are well advanced to rescue Crown Trust, the 12th largest trust and loan company in Canada, and to secure the interests of depositors.

At the same time, the Ontario Government intends to prepare a White Paper on new regulations to prevent abuse of funds within the trust and loan industry. Trust companies manage estates and lend money for commercial and residential mortgages.

Crown Trust was one of three trust and loan companies whose assets were seized by the Ontario Government two weeks ago. The Government was concerned that the companies had provided mortgage finance without adequate security on a C$500m (U.S.$409.8m) property deal.

Investigating accountants have proved the concern to be well founded. In a preliminary report to the Ontario legislature, Dr Robert Elgie, Minister for Consumer and Commercial Relations, said Crown Trust "could not be considered a viable going concern" without an injection of capital and support to improve its liquidity.

Dr Elgie said he was arranging with the Quebec and Federal deposit insurance corporations to provide funds so that Crown depositors could be paid in full.

Both Victoria and Grey Trust and Extendicare, a medial services company which also controls Crown Life Assurance, have shown interest in Crown Trust.

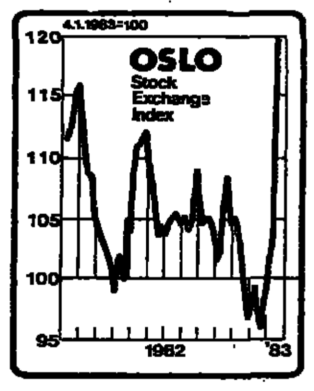
The future of Greymac Trust and Seaway Trust, the other two trust and loan companies seized by the Ontario Government, is much less clear.

"The preliminary assessment of Seaway Trust and Greymac Trust indicates that they are in a more difficult financial position than Crown Trust, but it is too soon to say with certainty what might happen to them," Dr Elgie said.

Mr Leonard Rosenburg, who controls Greymac, has instructed his lawyer to go ahead with the voluntary winding-up of the company.

Legislation to be passed by the Federal Government, however, will protect retroactively depositors' interests

The events leading up to the seizure of the three trust companies' C$2bn assets highlighted growing concern over possible conflicts of interest between owners of trust companies and their depositors.



Sharp rise in Norway stocks

By Fay Gjester in Oslo

NORWAY'S small stock exchange has been enjoying a sharp revival in activity and prices during the past week, after a year which saw steep falls in share values in all sectors of the market.

Turnover reached a record NKr 3.8m ($1.18m) on Friday, and yesterday's figure of NKr 7.1m was the second highest on record. The all share index, which dropped from 118 on January 4, 1982, to 99, at the end of December, had, by yesterday, recovered to 109.

The recovery in industrials has been even more marked. After falling from 127 to 105, over the 12 months, the industrial share index stood at 125 yesterday.

The "mini boom" is being attributed to a number of factors. There are indications that interest rates on the short term money markets are on their way down, making it more attractive to invest elsewhere.

Norwegian brokers also report a recent strong revival of interest by foreign investors.

Bendix to lift capital outlay

DETROIT. – Bendix is expected to increase its capital spending by about 15 per cent to $140m in 1983.

This was revealed yesterday by the group's chairman Mr William Agee. He added that he foresaw no hitches in completing Bendix's merger with Allied Corp by January 31 when the firm holds a special meeting to win approval of the move from its common shareholders.

Mr Agee said Allied would also hold a special shareholders meeting on the same day, to vote on the Bendix acquisition.

The Bendix chairman said the company would next week disclose an agreement with a European firm for "international collaboration," similar to ventures recently completed with Japanese makers of numerical controls for machine tools.

He added that Bendix would dispose of certain small assets in the near term after its decision to merge with Allied.

He declined to identify these assets, saying Bendix's merger with Allied would "create jobs, enhance research and development" and add to the overall level of U.S. productivity. Reuter

Rapid growth continues at Apple Computer

BY OUR FINANCIAL STAFF

APPLE COMPUTER, one of the leading U.S. makers of personal computers, continues its rapid growth with a 74 per cent rise in first quarter net profits to $23.5m, or 40 cents a share, from $13.5m or 24 per cent, a year earlier.

Revenues for the three months to December 31 were ahead by 61 per cent to $214.3m, from $133.5m a year earlier. Sales in December reached a one-month record of $88.3m while foreign and domestic sales were strong for the full quarter.

Mr A C Markkula, Apple President, said sales reflected continued high demand for the Apple II personal computer and increased volume for the Apple III as well as peripheral products and software.

Research and development expenses totalled $14.3m in the first fiscal quarter, 81 per cent above the year-earlier figure and an increase of $2.9m over the highest previous quarter.

Fiat to sell some U.S. rights

By Our Rome Correspondent

FIAT plans to withdraw from sales of two sports car models in the United States market.

The company has decided to sell the distribution and sales rights of the Spider 2,000 and the X1/9 to their respective manufacturers in Turin, Pininfarina and Bertone.

But Fiat has not yet disclosed how much it is asking for the U.S. rights on the two cars.

The projected sale of the two lines, both of which are assembled by the two Italian companies using Fiat engines and components and their own chassis and bodywork, will not affect other U.S. operations by Fiat's U.S. subsidiary, Fiat Motors of North America.

Fiat is known to believe that Japanese and other competition is too strong for it to sell profitably some of the lines available in Europe.

Doubt about Inmos plan

BY GUY DE JONQUIERES IN LONDON

THE FUTURE production strategy of Inmos, the UK microchip manufacturer which has obtained more than £100m ($160m) in state backing, has been thrown into confusion by apparently conflicting statements from the company and its principal shareholder, the British Technology Group (BTG), a state holding company.

Inmos said that it would start making its flagship product, a 64-K dynamic random access memory (DRAM) in February at its UK plant in Newport, South Wales. That would be three to four months earlier than previously planned.

The company also said that it no longer planned to step up output at Newport of its first product, a 16-K Static RAM, which is already being made in limited volume both at Newport and at the company's U.S. facility in Colorado.

According to Inmos, these change were recently approved by its full board with the knowledge of the BTG, which had been told of them before Christmas.

But this was flatly denied by the BTG. It said that the Inmos board still had to meet on the issue and that no decisions had been taken so far on the scale, site or duration of production of either component.

Inmos' announcement was nonetheless welcomed by officials at the British Industry Department, which considers that the 64-K DRAM stands a better chance of finding a large world market than the more specialised 16-K SRAM.

Inmos said that it had changed its production strategy because of major improvements in the production yield achieved recently on its chip-making lines.

Sandoz profits rise

BY OUR FINANCIAL STAFF

SANDOZ, the Swiss chemicals, pharmaceuticals and agricultural products group, expects to report a "gratifying" profits rise for 1982 on sales which rise 4.8 per cent to SwFr 6.05bn ($3.1bn) from SwFr 5.77bn. Last year's profits will be announced in March; in the previous year the group earned SwFr 227m.

The company said cost-cutting measures had been a major contributor to profit growth, while the increase in sales during the year appeared to be largely attributable to acquisitions consolidated into the group's results for the first time.

Among Sandoz' main businesses, pharmaceuticals, accounting for just under half total sales, showed a 3 per cent sales growth with a particularly strong performance in the North American market.

Sales of dyes, the second largest product group with about a quarter of total sales, fell 3 per cent, though Sandoz says this performance was satisfactory

Rea Brothers in limelight over proxy row

BY DAVID DODWELL IN LONDON

MR ASHER EDELMAN, an American entrepreneur, has this week fired his second broadside in 10 days against Sir Walter Salomon, chairman of Rea Brothers merchant bankers, in his battle to mount a takeover of Canal-Randolph Corp., a U.S. real estate company chaired by Sir Walter.

His announcement on Monday of an alternative board of directors to replace Sir Walter's board if his battle for control of the company succeeds comes hot on the heels of lawsuits filed in the U.S. against Sir Walter.

The suits allege violations of federal securities laws. One falls under the Racketeer Influenced and Corrupt Organisations Act.

The battle for Canal-Randolph has brought into the limelight one of Britain's more baroque banking institutions, and one of its more enigmatic figures. Sir Walter, in so far as he is known at all, is known as an old fashioned liberal, and something of an outsider in the London banking community. This is perhaps epitomised by Rea Brothers' motto – "Recte fac, noli temere" – "Do right and fear not."

Mr Edelman, who described himself as "an experienced real estate appraiser," has built up a 20.8 per cent stake in Canal-Randolph since last April, and is intent on a takeover of the company.

His bid seems to be blocked by the resistance of shareholders represented by Sir Walter and Rea Brothers.

If the lawsuits filed in the Delaware courts succeed, they might disenfranchise Sir Walter and companies managed by Rea Brothers at the company's annual meeting in March. It is here that a proxy battle for control of the company will be fought. Success in the lawcourts will, therefore, open the way for Mr Edelman to complete his takeover of Canal-Randolph.

It is alleged that Sir Walter has built up a 28.6 per cent stake in Canal-Randolph without observing a securities exchange requirement that any stockholder must disclose his holding in a company once it passes 5 per cent, and every one per cent thereafter.

This holding came to light on December 17 last year, when Rea Brothers disclosed to the U.S. Securities Exchange Commission (SEC) that 15.4 per cent of Canal-Randolph stock was held by companies managed by them.

A further 13.2 per cent of Canal-Randolph stock was held by the Rea Brothers group through discretionary accounts.

Under SEC laws, anyone who "has or shares the power to vote or dispose of" a particular stock is deemed to be the beneficial owner, and is therefore compelled to disclose that ownership once it reaches 5 per cent.

It is Mr Edelman's allegation that the interlinking stakes held by Rea Brothers and the companies managed by it made Sir Walter the beneficial owner, and as such he had a controlling interest in Canal-Randolph which ought to have been disclosed to the SEC.

The companies using Rea Brothers as managers are the Scottish and Mercantile Investment Trust, the Scottish Cities Investment Trust, the Lancashire and London Investment Trust, Ocean and Wilsons Holdings, Jastlin, and Fashion and General Investment.

In these companies, none of which has more than six directors, Rea Brothers has at least two of its own directors. In two cases it has three. In all but one case directors also sitting on the Rea Brothers board account for half or more of the company's board.

It is understood that Rea Brothers has always held the view that relationship with these companies did not make it a "beneficial owner" of any significant chunk of Canal-Randolph stock. Each company was seen as an individual owner of stock. As such, Rea Brothers felt there was no need to disclose stockholdings. Under British law, it is understood there would be no liability to disclose a stake in similar circumstances.

Neither side was prepared to comment on the issue before the court case. Mr Edelman has won court agreement to "a motion expediting discovery" on the lawsuits, which means that it is highly likely the cases will be heard before March 9, the date of the annual meeting at which the proxy contest for control of the Canal-Randolph board will be held.

In his action, Mr Edelman is asking that if his case is upheld, then the shares held by Sir Walter, Rea Brothers Group, or the six companies managed by Rea Brothers, be ineligible to vote in the proxy contest.

He is also asking that these various British stockholders be forbidden from buying fresh shares, and that they be forced to divest their holdings. He is also claiming monetary damages and punitive damages of $10m.

He is also citing Montagu Investment Management, part of Samuel Montagu, the merchant bank, which with four companies under its management owns 5.74 per cent of Canal-Randolph stock.

Canal-Randolph was in the 1950s hived off from Butler Brothers of the U.S. At that time, it comprised a stockyard in Canal Street in Chicago. Today, it is a large U.S. real estate company, which operates seven office buildings across the country, and owns United Stockyards Corp the largest livestock stockyard company in the U.S.

Sir Walter Salomon has been chairman of the company since 1960 "building it up conscientiously and conservatively."

It is thought that Sir Walter sees this week's law suit as nothing more than part of a rough-riding takeover strategy that symbolises one of the less savoury aspects of U.S. corporate life.

INTL. COMPANIES and FINANCE

PETER MONTAGNON IN LONDON ON GROWTH AMID CONTRACTION

BIS reveals paradox in banking

THE LATEST batch of quarterly banking statistics from the Bank for International Settlements (BIS) offer a particularly difficult brain-teaser, even for those who willingly pick through page after page of densely printed figures in search of new trends in international lending.

The figures cover the third quarter of last year and, not surprisingly, the BIS records a sharp contraction in net new international bank lending.

Overall expansion of net new business slowed to \$25bn from \$30bn in the second quarter. New lending to non-OPEC developing countries actually fell by \$800m after an increase of \$13bn – the first absolute decline since 1977.

But the growth in gross international banking assets continued apace. In the third quarter they increased by \$68.9bn to \$1,627bn compared with an increase of \$28.4bn in the second quarter.

The BIS explains the discrepancy between these two trends by pointing out that a large part of the increase in total assets was accounted for by a very strong revival of interbank business.

Cross border interbank deposits rose by \$50.5bn after a growth of only \$3bn in the second quarter. Interbank claims in foreign currency within individual reporting centres rose by \$26.5bn after falling \$32.5bn in the second quarter.

Yet the real paradox is that this period of rapid growth in interbank business came when many bankers were complaining of a contraction in the money markets after the Mexican problems. The BIS itself suggests that this seemingly inexplicable development was due, above all, the result of seasonal factors affecting Japanese banks.

Bank lending to selected borrower countries
(\$bn outstanding at end of period)

	Dec 1981	March 1982	June 1982	Sept 1982
Mexico	55.44	58.19	61.85	60.02
Brazil	49.54	50.14	52.27	55.06
Argentina	22.92	23.46	22.92	22.48
Venezuela	22.26	22.22	22.52	22.49
Poland	14.67	13.91	13.21	12.94
Romania	4.76	4.49	4.15	4.12
Yugoslavia	9.70	9.37	9.24	8.88
S. Korea	16.88	16.21	16.64	16.45
Philippines	7.23	7.52	8.04	8.32

These banks had reduced their interbank lines in the second quarter as part of an annual unwinding of liquidity positions built up for the end of their business year in March.

In the third quarter, the BIS says, they began to build up their interbank lines again for normal seasonal reasons, though last year the pattern was far more pronounced than usual.

Bank economists in London, who have yet to study the figures in detail suggested yesterday that the swing from contraction to expansion in the interbank market appears far larger in the third quarter than could be expected from seasonal influences alone.

Although the BIS itself gives only scant comentary on this point, bank economists suggested that the sharp growth in interbank business could also be explained by some banks drawing heavily on existing credit lines out of fear they might be cut in any overall contraction of the market, after the Mexican crisis.

Another possibility is that banks which had become reluctant to commit large amounts of fresh money to their non-bank customers, preferred to park their surplus cash with those other banks whose credit standing had remained impeccable throughout the international debt crisis.

Certainly the BIS figures do reveal a growing quality consciousness among banks in their lending to non-bank customers. By far the largest slice of their net new international loans went to customers in the leading industrial countries. These took \$15bn, compared with only \$9bn in the second quarter.

By contrast the international banking community cut its lending to Eastern Europe by a further \$1.1bn.

A further feature of the third quarter was continued borrowing by Opec countries which raised \$2.8bn in new loans. This brought their cumulative borrowing during the first nine months of 1982 to \$7.7bn.

Taken with a \$10.4bn withdrawal of deposits from the banks during the first three quarters, this meant a net flow of funds from the international banking system to Opec of some \$18bn during the period.

This figure is striking when set against total net credit flows of only \$12.5bn to all other developing countries during the same period

In the first nine months of last year, the BIS figures also show a slowdown in the underlying growth of international banking business. Net international bank credit expanded by only \$75bn, against \$110bn in the same period of 1981, while interbank business grew by \$78.5bn, compared with \$90.5bn.

Even lending to the largest industrial countries contracted to \$35bn from \$62bn. The BIS says the decline probably related to the cyclical weakening of credit demand in industrial countries

EEC bond gets poor reception in London

By Alan Friedman in London

A £50M eight-year Eurosterling bond for the European Community was last night receiving a poor market reception in London as bankers complained that the issue's yield was below the equivalent UK Treasury Stock level.

S.G. Warburg launched the £50m deal yesterday morning with a coupon of 11¾ per cent at a price of 99.80, suggesting an issue price yield of 11.92 per cent; the equivalent 11¾ per cent 1991 Treasury stock yielded 12.31 per cent annually at a closing price of 99¾.

Several banks are understood to have turned down co-management positions in the EEC bond because of the aggressive pricing. Initial pre-market quotations last night ranged from discounts of 3 to 2 per cent.

Eurodollar bond issues continued to flow despite the burden of more than \$3bn of new paper. Merrill Lynch and Nikko Securities have teamed up to offer an unusual debut for McDonald's Corporation – a \$75m 10-year bond with \$30m of the issue pre-placed in Japan on a partly paid basis and the remaining \$45m being offered on a fully paid basis.

The coupon is 9⅞ per cent at par, which seems aggressive for a Double A borrower, but McDonald's is the sort of name which appeals to Swiss investors. The \$30m Japanese placed portion involves 20 per cent down now and the balance due next August.

Caisse d'Aide a l'Equipement des Collectivities Locales (CAECL), a French municipal financing agency, is offering \$75m of seven-year bonds through Dillon Read. The paper will be priced on Thursday, but the coupon has been indicated at 11⅝ per cent, high for a Triple A name and designed to ensure success. Last night the pre-market quote was a discount of only 1 per cent.

Prices of Eurodollar bonds in the secondary market closed roughly unchanged last night after a day of quiet trading.

In the Canadian dollar bond sector, Credit d'Equipement des Petits et Moyens Enterprises, the Franch company finance agency, is offering C\$50m of seven-year paper with a 12½ per cent coupon through Société Générale.

Merrill Lynch's C\$50m 12½ per cent NatCan Realty issue has been reduced to C\$30m.

In the Swiss franc foreign bond sector, Japan Steel Works is offering SwFr 30m of 5¾ per cent paper through Banca del Gottardo. Every SwFr 50,000 worth of paper entitles holders to four warrants for equity.

Swiss franc bond prices were ¼ to ½ point higher yesterday while Euro D-Mark bond prices dropped ¼ point amid uncertainty in the banking community over the forthcoming federal election.

From Tokyo comes word of a Y20bn 7.8 per cent 10-year Samurai bond for the European Investment Bank. Priced at 99¾, this issue is led by Nomura Securities.

FT INTERNATIONAL BOND SERVICE – PRICE MOVEMENTS

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for January 18.

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 88/97	150	110½	111	−0½	+0⅝	10.04
[illegible]						

	Issued	Bid	Offer	Change on day	Change on week	Yield
New Zealand 8⅝ 87	15†	107½	108½	0	+1⅛	8.42
World Bank 8⅝ 92	20†	105¼	105¾	0	+0⅛	7.37

Av. price changes: on day 0, on week +⅜

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

Av. price changes: on day +⅛, on week +½

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	107¼	108⅝	0	+0¼	7.40
E.I.B. 8¼ 92	15	105¼	106	0	+0¼	7.28
Japan Airlines 7⅞ 87	9†	102¼	102¾	0	−0¼	7.14

OTHER STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Minorco 9⅛ 97 †	5/82	8.15	153	155	+1½	1.35
Murata 5¼ 96	7/81	1971	86⅞	88⅜	−3½	6.52
NKK 5½ 96	7/81	188	80	81½	−0½	20.57
Nippon Electric 5¼ 97	2/82	804.2	115½	117	−4½	2.24
Olympus Optical 6¼ 97	12/82	1331	100	101½	−3⅝	5.96
Orient Finance 5¼ 97	3/82	1205	107½	109	−2⅝	8.85
Sanyo Electric 5 96 †	10/81	652	77½	79	−3½	15.10
Sumitomo Electric 5½ 97	3/82	577.3	93	94½	−2⅝	2.31
Sumitomo Metal 5¼ 96	10/81	296.1	72	73½	−1⅝	31.83
Olympus Opt 4½ 92 SF	12/82	1331	105	107	−0½	24.11
Konishiroku 6¾ 88 DM	6/82	616	112⅝	113⅝	−0¼	5.96
Mitsubishi Heavy 8 89 DM	2/82	263	104⅞	105⅝	−2½	2.80
Sun Realty 6¼ 92 DM	2/83	385	110	111	−0⅝	8.18

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

North American Quarterly Results

CAMERON IRON

Second quarter	1982-83 \$	1981-82 \$
Revenue	258.4m	298.4m
Net profits	12.7m	45.8m
Net per share	0.42	1.50

CHAMPION INTERNATIONAL

Fourth quarter	1982 \$	1981 \$
Revenue	930.3m	925m
Net profits	10.9m	19.2m
Net per share	0.13	0.20

DONALDSON LUFKIN AND JENRETTE

Fourth quarter	1982 \$	1981 \$
Revenue	124.5m	93.6m
Net profits	5.9m	4.2m
Net per share	0.44	0.36
Year		
Revenue	420.6m	295.9m
Net profits	18.1m	13.2m
Net per share	1.41	1.28

GIRARD

Fourth quarter	1982 \$	1981 \$
Revenue	—	—
Net profits	6.8m	10.5m
Net per share	1.16	1.87
Year		
Revenue	—	—
Net profits	31.8m	38.6m
Net per share	5.52	6.92

GREAT WESTERN FINANCIAL

Fourth quarter	1982 \$	1981 \$
Revenue	348.5m	356.5m
Net profits	†5.53m	†31.26m
Net per share	†0.19	†1.13

HART SCHAFFNER

Fourth quarter	1982 \$	1981 \$
Revenue	227.9m	220.8m
Net profits	9.4m	8.4m
Net per share	1.16	0.96

The Socialist Government teams up with the Bourse

French companies urged to go public

A DRIVE to encourage more private companies to go public has been mounted by France's Socialist Government together with the country's bourse authorities, in a bid to improve the finances of the corporate sector.

Next month, M Jacques Delors, the Finance Minister—a leading figure in attempts to wake up the country's long-somnolent capital markets—will formally inaugurate an unlisted securities market in Paris, closely modelled on the scheme introduced in London two years ago.

The aim, according to M Yves Flornoy, the chairman of the Paris Stockbrokers' Association, is to tempt French companies away from their traditional preference for financial obscurity.

Entry qualifications for the market—to which M Flornoy hopes to attract at least 30 companies over the next two years—will be undemanding.

Company proprietors who had previously fought shy of a bourse quotation for fear of losing their independence will have to offer no more than 10 per cent of their shares to the public (the same as on the USM in London) rather than the 25 per cent which was previously the minimum.

Introduction costs will be kept as low as possible with reduced bureaucracy. And, unlike the Paris Bourse's previous attempt to encourage fresh blood (it set up in 1977 a kerb market as a "waiting room" for companies preparing a full bourse quotation), there will be no obligation for companies to seek full entry on the Stock Exchange after three years.

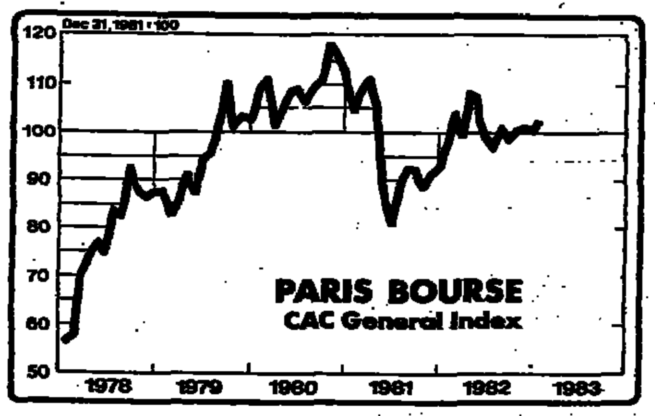
French *patrons* have never been enthusiastic about wading out from the traditional shallows of family ownership and selling their shares to the public.

Only about 2 per cent of French companies are quoted on the country's stock markets—one of the long-standing causes of the severe under-capitalisation of many concerns.

The Socialist Government cut into the importance of the Paris Bourse by nationalising key private industries and banks last year. The move deprived the stock exchange of some of its glamour stocks and wiped some FFr 30bn ($4.5bn) off total share capitalisation, reducing it to about FFr 200bn ($30bn).

Since then, the Government has taken steps to suggest that it is, nevertheless, well-disposed to the stock market. The new Delors measures to stimulate equity investment through tax incentives, replacing and slightly widening the previous regulations introduced by M Rene Monory, the former Finance Minister, in 1978, have been voted a hit by the stockbroking community.

The new "share savings account" brought in on January 1 under the Delors scheme allows individuals tax deductions amounting to 25 per cent of their net share purchases a year, up to a ceiling of FFr 7,000 annually (equivalent to $1,050), or FFr 14,000 for a married couple.



There are moves to stir the Paris stock market into activity

The details were altered slightly during passage through the National Assembly late last year. Originally, the plan was to give concessions of 20 per cent up to a ceiling of FFr 10,000.

But a generally favourable view of the new moves, the ample amount of liquidity on offer, and the strength of Wall Street, have combined to give the stock market a solid 1983 start. The CAC General stock market index, which rose only a laggardly 1 per cent last year, has risen a further 2 per cent so far in the New Year, while the more narrowly-based Trend Index has gained more than 4 per cent.

Ironically, the Socialists' schemes to boost share purchases have attracted some envy from the other side of the Channel. Late last year, Britain's Unit Trust Association called for tax concessions to be introduced along French lines, to increase equity investment in the UK.

To show that ideas can flow in both directions, M Flornoy makes no bones about admitting that the stimulus for the unlisted securities market has come from the London Stock Exchange's venture.

He says that French companies have to be taught to abandon the old proverb equating happiness with secrecy ("Pour vivre hereux, vivons caches"). Bringing shares to the market can help companies preserve their independence, he argues, by allowing strengthening of capital bases, and giving impetus to financial planning.

Additionally, the Government's wealth tax may act as an incentive for some company owners to sell off their shares to raise ready cash, he argues.

When the unlisted securities scheme starts up on February 1, some 21 companies already in a special "waiting room" section will transfer to the new market.

M Flornoy numbers the potential candidates for the new sector at 400 to 600, mainly companies in the preferred capitalisation range of FFr 50m to FFr 100m.

Two companies—Zodiac, the rubber group, and Sodexho, the catering chain — are already known to be planning early entry, while another 10 are said to be studying the possibility. If no more than 30 fresh concerns join up over the next two years, declares M Flornoy, the project can be considered a failure.

As part of additional efforts to beef up the importance of the Paris share market—the size of which M Flornoy has compared in the past to that of Kuala Lumpur — the Bourse authorities plan to unify the "cash" and "term" markets by the end of this year. Continuous trading from 10 am to 4 pm using computers is set to be introduced experimentally next year and to become operational in 1985.

As for this year, M Flornoy ascribes the buoyant start on the Bourse not to the economic environment — where he criticises the Government for continuing to hold down prices and profits—but to moves to correct an imbalance of holdings in investors' portfolios.

Many portfolio managers have reduced the proportion of French equities in their security portfolios to 10 per cent or 20 per cent—the rest being bonds (where turnover on the Paris Bourse last year was three times that in shares) and foreign equities.

This means a shortage of shares to come on to the market — which helps explain why the recent rights issues, amounting by Paris standards to a wave, have failed to disturb the bourse.

Partly to get round the Government's dividend controls, which are lifted only for companies increasing capital by at least 10 per cent, a stream of concerns has recently announced capital rises, includ- Moet-Hennessy, the diversified champagne company, Skis Rossignol, the sports equipment group, BSN-Gervais Danone, the foods concern, and Compagnie Generale des Eaux, the diversified water group.

M Flornoy says that last year's total of new share issues of FFr 2.7bn was not satisfactory. This year he hopes for a figure of FFr 5bn—equivalent to 2.5 per cent of bourse capitalisation, compared with averages of 1.5 per cent to 2 per cent on other international stock exchanges, on his assessments.

All the same, the amount of new capital raised in share issues will still look puny compared with the placing power of the Paris bond market, where new issues leapt in 1982 to FFr 154bn from FFr 107bn in 1981, and look set to forge further ahead in 1983.

David Marsh

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Slowdown for Matsushita Electric

BY YOKO SHIBATA IN TOKYO

MATSUSHITA ELECTRIC Industrial, Japan's leading manufacturer of consumer electrical products, has reported a slowing down of growth in the full year to November 20, 1982 due mainly to a levelling off in video tape recorder (VTR) sales.

The parent company's pre-tax profits failed to achieve the targeted Y184bn ($800m) and at Y172bn were up just 0.8 per cent on the previous years figure. Unconsolidated net profits rose by 14.4 per cent to Y95.7bn. Full year sales were Y2,474bn, up 5.4 per cent. Profits per share were Y60.69 compared with Y58.5 in the previous year.

Matsushita Electric's marginal increase in profits was due to a Y8.3bn increase in net interest income (interest received minus interest paid) compared with last year.

Outside Japan, Matsushita markets many of its products under the National Panasonic label. It also owns the major part of Victor Company of Japan, better known as JVC.

Sales of VTRs and related equipment *failed* to maintain the 40 per cent growth rates seen over recent years. With the rate of increase in such sales down to 16 per cent, the VTR sector accounted for 31.2 per cent of total turnover. This figure was also sharply affected by the falling unit price of video equipment, estimated at 15 per cent over the year, due to the tough competition between manufacturers.

Sales of communication and industrial equipment rose by 17 per cent to account for 15 per cent of the total. Reflecting sluggish domestic consumer spending and the cool summer, sales of home electrical appliances were unchanged from the previous year, accounting for 20.5 per cent

Under the impact of the fall-off in demand for audio equipment sales in this sector fell back 9 per cent, to account for *12 per cent of the total. Sales* of the electronic components division, including semiconductors, tuners, and speakers were affected similarly and declined by 4 per cent to 11.4 per cent of the total.

A reduction in sales and administrative costs was insufficient to offset the impact of higher fixed costs caused by lower production of audio equipment and higher taxes on VTRs. As a result, operating profits fell by 10.3 per cent to Y96.4bn.

During the year the average exchange rate was Y234 to the U.S. dollar. The benefits from the yen's 9 per cent depreciation over the year were, however, absorbed by higher sales promotion expenditure.

In the current year, there are fears that protectionist moves, such as those taken by France, to curb VTR imports may *spread to other Western* countries. On this basis the company forecasts growth of only 1 per cent in exports to Y820bn. Increases in sales of VTRs are likely to fall into single digits. Overall sales are expected to reach Y2,550bn.

The company is known because of its strong liquidity as "Matsushita Bank" and earnings from the capital market have been supporting it. However, the lowering of interest rates could have a negative effect on revenue from purely financial operations. As a result full year operating profits are not expected to exceed last year's.

Improvement for Rheem Australia

By Lachlan Drummond in Sydney

RHEEM AUSTRALIA, the domestic water heater, soft drink, and agricultural equipment group, continued its recovery in the first half of the year to May 31, with net profits rising by 25 per cent.

After a heavy rationalisation programme in 1981-82 net earnings jumped by 74 per cent to A$5.11m (US$5m) last year. In the latest six months, to November 30, earnings advanced from A$2.43m to A$3.03m after further heavy job cutbacks and sales of assets.

Reflecting productivity gains the profits growth cake in spite of only a 2 per cent rise in sales, to A$122m.

The company attributed the increase in profits to an improved performance in Australia and New Zealand. Profits in Indonesia were held back by difficult economic conditions.

The light engineering group, which is an associate of BHP, is cautious about the second half given the continuing effect of drought on its agricultural operations and the depressed state of the local building industry.

The interim dividend is unchanged at A$0.05 a share.

Thailand to consider relaxing restrictions on foreign banks

BY JONATHAN SHARP IN BANGKOK

THAILAND IS considering relaxing the restrictions which prevent most foreign banks from opening branch networks in the country.

The Bank of Thailand, which is the nation's Central Bank, *has said* that a proposal to loosen the regulations is to be sent to the Finance Ministry.

There are 14 foreign banks with full-service operations in Thailand, but only a few of the longer-established ones, such as the Chartered Bank, have a branch structure.

Bankers say that the motive behind the proposed move is an expectation that, in return for greater freedom for foreign banks here, Thai banks will be given room to expand overseas.

Banking in Thailand has expanded rapidly in recent years, maintaining a steady 20 per cent annual growth rate in the 1970s.

The Bangkok Bank, Thailand's biggest, is second in total assets only to the Bank Bumiputra of Malaysia in the ASEAN (Association of South-East Asian Nations) region.

Several of the 16 Thai commercial banks are reaching a size where they will want to expand their operations abroad, according to foreign bankers.

Thailand is, however, still far from becoming a financial centre along the lines of Singapore or Hong Kong. Thai officials periodically express such an ambition, but there are considerable infrastructural problems, including relatively poor telecomunications and an antiquated tax structure.

Even if restrictions on foreign banks were eased, a rush of applications to open offices in Thailand could not be expected, say bankers and the establishment of more foreign banks here could mean just "spreading what jam there is a little thinner."

None of the major British clearing banks has a full-service operation in Thailand, although Barclays has an interest in a Thailand-based finance company.

Eda collapse hits Far East Consortium

By Robert Cottrell in Hong Kong

THE collapse of the Hong Kong property group Eda Investments has slashed earnings at Far East Consortium (FEC) the Chiu family's quoted real estate vehicle.

In its interim report for the six months to September 30, 1982, FEC provides HK$18.6m against shares in Eda which it holds as a long-term investment.

The effect is to cut net profits for the half year from HK$28.9m (U.S.$4.44m) in the prior year to HK$5.3m. The interim dividend is cut from seven cents to 2.5 cents.

MUI to spend more on hotels

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN United Industries (MUI), the diversified group, is to spend 180m ringgit (US$78m) over the next two years to expand and upgrade its hotel operations.

MUI has three hotels—in Singapore, Penang and Port Dickson—and is at present spending 120m ringgit on building a 430-room hotel in Kuala Lumpur, scheduled for completion in mid-1984.

Mr Goh Kim Leong, MUI's new general manager (hotels) said the group would also add 260 rooms to its Hotel Mandarin in Penang and 120 rooms to its MUI Beach Hotel at Port Dickson. Additional facilities are also planned for the Ming Court in Singapore.

MUI also said it now owned *more than 93 per cent of the* equity of the former Kwong Lee Bank following a share exchange offer made last November. MUI offered three of its shares, valued at 4 ringgit each, for each of Kwong Lee's 15m shares.

MUI has renamed the Bank Malayan United Bank to reflect its new corporate structure.

● PETRONAS CARIGALI, the exploration subsidiary of the Malaysian state-owned oil company Petronas, will spend about 800m ringgit ($350m) on development and exploration activities this year, according to the Malaysian Trade and Industry Minister.

In a statement at the opening of a floating exhibition in Port Klang, the minister said that this would include the development cost of the Duyong natural gas project off Trengganu on the East coast of peninsular Malaysia, *Reuter reports.*

Last year the company spent *600m ringgit on drilling several* exploration wells.

Six wells are scheduled to be drilled by Petronas Carigali off the coast of the east Malaysian state of Sarawak and Trengganu.

Israel Discount Bank arm to issue more shares

BY L. DANIEL IN TEL AVIV

ISRAEL DISCOUNT BANK Development Corporation (IDBDC) has decided to float another issue of ordinary shares, designed to raise a further Shl 600m (nearly $18m), which will be offered to holders of ordinary AAA shares and of series options.

This offer follows close on the heels of an issue of AAA-shares and series-2 options at the end of November which raised Shl 750m. The decision to float another issue this month was taken in view of the strong demand for the shares of the *company, which is the investment* arm of the Israel Discount Bank and which has a share in half a dozen of the country's largest high-technology industries, in shipping, real estate, and a super-market chain.

Further help proposed for Amsterdam shipyard

BY WALTER ELLIS IN AMSTERDAM

THE FUTURE of ADM, the Amsterdam ship repair yard, is likely to be decided in the Dutch parliament today. MPs have been asked by the Government to rule on whether state backing should be given to an Amsterdam city council scheme for the purchase of two ADM floating docks for a total of FL 15m (U.S.$5.8m).

City councillors want the Government to agree to take over the Fl 15m debt if, despite the purchase, ADM goes bankrupt. The deal would be that Amsterdam itself would buy the docks but *that the state should* hover closely behind, cheque book in hand.

ADM has been in deep trouble for several years. Strong competition for repair orders from the Far East has eaten substantially into the Dutch company's reserves and only regular bail-outs by the Economics Ministry have prevented an early collapse. Last week, the Ministry, with the utmost reluctance, agreed to find another Fl 9m to help the company out of its present difficulties. The Social Affairs Ministry added Fl 2m, Amsterdam council Fl 6m and the province of North Holland Fl 1.5m.

ADM insisted, however, that more cash was needed if large-scale redundancies among its 1,320 workers were to be avoided. The city authorities, worried about additions to the capital's already lengthy dole queue and the loss of a potentially valuable industry, then *came up with their proposal to* buy two floating docks and lease them back to the company at cost price.

The council sought to pass on ultimate financial responsibility *for their idea to the Ministry* and the Ministry in turn passed the cup to parliament. The deal, if endorsed would, according to the company, enable ADM to hold on to all but 220 of its workers.

A recent, Government sponsored, report into the future of ADM recommended a drastic slim-down and a closure of two of its repair yards. A separate city-assisted report, took a much less rigid view. With more state aid, the latter document argued, ADM could be turned around and could even look forward to long-term *profitability.*

Akai still deeply in the red

By Our Tokyo Staff

AKAI ELECTRIC, Japan's leading manufacturer of top quality tape recorders, which was the subject of a reconstruction and consolidation scheme aided by Mitsubishi Electric and Mitsubishi Bank, was still deeply in the red *in the year ended November 30,* 1982. Losses were blamed on poor sales of audio equipment and competition for sales of video tape recorders (VTRs).

The unconsolidated pre-tax loss for the year reached Y1.41bn ($6.1m) compared with the previous year's deficit of Y1.76bn and net losses expanded to Y6.23bn from Y567m. Sales at Y90.83bn were just 0.3 per cent higher.

Sales by the audio sector fell by 26.7 per cent, while video sector sales jumped by 50.7 per *cent. Higher fixed costs* resulting from the fall in audio sales and sharp price reductions of VTRs contributed to the losses.

The company has made provisions of Y2.95bn for the loss in value of its subsidiaries and of Y1.19bn for the voluntary retirement of 216 workers. Provisions against bankruptcies, *totalling Y683m were also made.*

Sales are expected to fall by 15.7 per cent in the current year to Y76.6bn but measures taken to fortify overseas subsidaries should bear fruit and the company expects to return to the black. Pre-tax profits of Y100bn are forecast and property sales are seen as pushing net profits to Y800m.

Downturn in profits for Aiwa

By Our Tokyo Staff

AIWA, THE cassette tape recorder manufacturer in which Sony has a 54.1 per cent stake, has reported a 26.3 per cent setback in pre-tax profits to Y1.24bn ($5.4m) *for* the year to November. The company blames the downturn on a deterioration of overseas audio equipment markets and higher inventories. Net profits were 48.5 per cent lower at Y442m. Sales at Y62.21bn were 16.6 per cent higher than in the previous year.

Exports fell by 20 per cent, but domestic sales advanced by 49.2 per cent, thanks to full scale OEM (Original Equipment Manufacturing) supplies of VTR's to Sony and strong sales of headphone stereo sets with *automatic* reverse devices.

Aiwa's exports are expected to grow by 5 per cent in the current year but domestic sales are expected to increase by 10 *per cent, on the back of strong* sales of headphone stereo sets and the new "Compact Disc" stereo which will be marketed in the second half.

Full year sales are expected to increase by 8.5 per cent to Y67.5bn, and pre-tax profits were forecast to rise by 45.5 per cent to Y1.8bn. Net profits are projected at Y750m, up by 69.7 per cent.

Why AT & T's customers are cutting loose

Some major U.S. companies are finding it more efficient to run their own systems. **Guy de Jonquieres** reports

America's Communications Revolution: Part 6

OVER THE next few months a strange apparition will start to take shape on Staten Island, a nondescript New York borough a few miles south of Manhattan. From behind a rampart of heaped earth will rise a cluster of satellite ground stations, their dish-shaped aerials pointing out into the stratosphere.

Residents who inquire about the development will be in for another surprise. For it is not the work of NASA, the Central Intelligence Agency or American Telephone and Telegraph—nor, indeed, of E.T.—but of Merrill Lynch Pierce Fenner and Smith, the world's largest financial services group.

The project, known as Teleport, is an eye-catching example of a growing trend among large U.S. companies. Faced with steadily mounting communications costs, many are finding that it makes sound commercial sense to take their custom away from AT&T and set up their own networks to handle both voice and computer data traffic.

They are permitted to do so by the increasingly liberal policies applied by the Federal Communications Commission (FCC), which have effectively opened up telecommunications to all-comers. Such freedom is still unthinkable in most Western European countries, where telecommunications is dominated by state monopolies, many of which are reluctant even to lease circuits to companies for their internal use.

The loss of lucrative business is clearly worrying for AT&T. But the recent decision to curtail its U.S. monopoly should allow it to fight back by cutting its long-distance rates and by introducing new competitive transmission systems such as business satellite networks.

Citicorp, the second largest U.S. bank, has so far spent an estimated $100m purchasing and installing communications systems for its own use. Says Ken Philips, a vice president in its office of telecommunications: "We have established that we can do a better job than the telephone company, primarily because we use more advanced technology."

While AT&T must build into its regulated tariffs depreciation charges for investments which date back decades, its customers are finding that they can get better value for money by purchasing equipment from rival suppliers whose prices reflect the dramatic fall in the cost of micro-electronic components. U.S. manufacturers such as Rolm, for instance, today sell private exchanges (PBXs) at prices only about three-and-a-half times the annual rental which AT&T charges for a technically less sophisticated system.

Merrill Lynch, which expects to invest a total of $60m in Teleport jointly with Western Union, has gone even further. As well as handling the vast quantities of information which pour in and out of Merrill Lynch's Wall Street headquarters, the project is intended to pay its way by serving other large corporate users in New York.

Gerald Ely, head of technology planning at Merrill Lynch, expects Teleport to generate positive cash flow within 12 months after it starts operation later this year and to make profits in three years. He says that the fibre optic cable linking it to customers will carry computer data at far higher speeds that AT & T's landlines and at a lower cost.

"It's not our intention to take business away from AT&T . . . but that's where the business will come from," he says. One of his prime marketing targets is the broadcasting networks and cable television companies, which require huge transmission capacity to send programmes across the country.

One such customer, Financial News Network (FNN), recently set up shop in Merrill Lynch's headquarters. FNN transmits a live financial news programme via satellite to cable television stations throughout the U.S. Ely expects broadcasters to account eventually for 40 per cent of traffic on Teleport, which will be able to handle almost 200 one-way television channels simultaneously when it is completed.

A decision to go ahead with the project was taken after a detailed analysis had been carried out by McKinsey, the management consultants. The study showed that the investment in Teleport would be justified by the expected savings which Merrill Lynch would make just on its own telecommunications budget, currently running at about $200m.

The company, which transmits 2.5m messages a day between its 500 U.S. and 60 foreign offices, has long given a high priority to controlling communications overheads. It uses its own computers to route telephone calls via the most economical circuits, and in Chicago it has installed its own local network which carries all communications between its offices in the region.

The policy has paid off handsomely, according to Ely. While outgoing telephone traffic from its headquarters have risen from about 700,000 minutes to more than 28m minutes per month since 1977, costs per minute have fallen to less than 20 cents from more than 40 cents. Overall, Ely says, telecommunications accounts for 6 to 7 per cent of Merrill Lynch's overheads, which is low for a company in its business.

The achievement is all the more impressive in the light of recent sharp rises in AT&T's tariffs. Charges for private lines, on which many companies rely for fixed connections between their offices, rose by more than 50 per cent in 1981 after AT&T abolished a legally controversial bulk discount scheme called Telpak.

Local rates have soared by as much as 20 per cent a year, partly because Government regulators have started to restrict the subsidy which AT&T may pay out of long-distance revenues to its less profitable local telephone companies. Local charges are set to rise again by two or three times by 1990 after the Bell System is broken up at the start of next year.

In Pittsburgh, Westinghouse, the large electrical and broadcasting group, is tackling the problem by building its own microwave radio network to connect 22 of its plants and offices. The network due to be completed this summer, will cost $26m. But it is expected to eliminate annual telephone charges of about $5.5m and to save the company $65m over the next decade.

Westinghouse, whose total communications bill rose 38 per cent in 1981, is also relying increasingly for long-distance calls on companies like MCI and Southern Pacific, which compete with AT&T by offering lower charges. "Managements of companies like mine have suddenly become very sensitive to commuunications costs," says Robert Bennis, Westinghouse's director of communications systems.

In Chicago, Allstate insurance, a subsidiary of the large Sears' retail chain, is considering plans to lay a 25-mile fibre optic circuit to carry voice and data traffic. Initially, the cable would link six of its offices and a satellite ground station, but spare capacity might be leased later to other companies in the city.

Few large companies have been more aggressive in applying the benefits of advances in communications technology to their business than Citicorp. Since the mid-1970s, it has pursued a systematic policy of investing in its own communications systems whenever it proved economic to do so.

It is at present building a high-capacity fibre optic link between its mid-town New York headquarters and its computer centre a few miles away on Wall Street. It is also constructing a private satellite network to handle high-speed data transfer between New York and locations in other parts of the U.S. such as its bank card processing centre in Sioux Falls, South Dakota.

The company, which spends about $150m a year on communications, hardly uses AT&T's public switched network for its inter-office long-distance calls, relying instead mostly on private lines leased from competing carriers. It economises on overseas traffic by using transatlantic leased circuits connected to its own private exchange in Lewisham, south east London. From there, the calls can be switched directly into British Telecom's public network.

It has also obtained FCC licences to establish digital microwave networks in a dozen U.S. cities, which would by-pass local telephone systems. But the company is still unsure whether it will be economic to build the networks.

As a bank holding company, Citicorp is legally prohibited from becoming a common carrier and selling capacity on its networks to others. It is nonetheless exploiting opportunities in communications as far as the law permits. It recently launched a network service called Citishare, which enables its major corporate customers to gain access to and process information on its central computers.

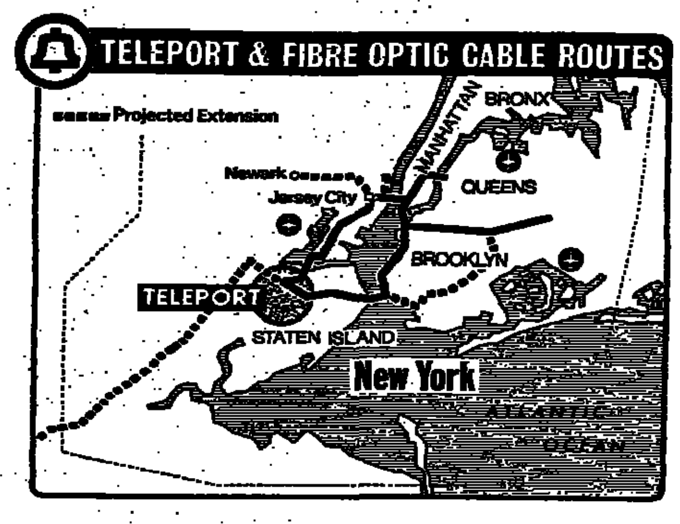
The U.S. computer services industry objected that the service encroached on their computer time-sharing business. But Citicorp convinced federal authorities last year that it was genuinely an extension of banking. "We are only doing electronically what Rothschilds did with carrier pigeons more than 100 years ago," says Ken Phillips.

Citicorp is also experimenting with home banking systems, which enable residential customers to carry out financial transactions on a terminal in their home which is linked to a Citicorp computer. The bank has designed an inexpensive terminal which is on trial in several hundred households in the New York borough of Queens. The system will also be made available to owners of popular personal computers.

Citicorp is still pondering how to market the system commercially. It doubts whether it can be profitable if used solely for banking and has not yet decided how to offer other types of service on it, such as electronic shopping. But a consensus is growing that the spread of such systems is only a matter of time.

Ken Philips thinks that electronic technology, combined with corporate diversification of the kind which has taken Sears into broking, insurance and property sales, will eventually create huge overlaps between previously separate businesses. "The day is not far off," he says, "when people will order car tyres from Citicorp and go to Sears for a loan."

Previous articles in this series appeared on January 10, Leader page, January 12, Leader page, January 14, Management page, January 17, Management page and January 18, Leader page. Further articles will appear on tomorrow's Management and Technology pages.



TELEPORT is designed to offer companies in New York direct access to communications satellites which can beam two-way voice, data and video traffic almost instantaneously between points thousands of miles apart.

The U.S. is already served by 16 domestic communications satellites and many more launches are planned in the next few years. International transmission capacity will be boosted by craft such as Britain's privately-financed Unisat, due to go into orbit in 1985.

Users of Teleport, which is being developed jointly by Merrill Lynch, Western Union and the Port Authority of New York and New Jersey, will be connected to ground stations on the Staten Island complex by a high capacity fibre optic cable network.

The network will carry communications signals at the same very high speeds as satellites transmit them. Initially 25 kms long, it is being laid by Western Union, which has the rights to use AT&T's telephone ducts.

At present, the nearest large commercial ground station to New York is located some 200 miles away in West Virginia and access to it is via a conventional coaxial cable. According to Gerald Ely (right), Merrill Lynch's head of technology planning, the cost of using the cable can be almost as high as the charges for satellite time.

He believes that some Teleport customers will also use its fibre optic network to transmit computer data between locations in the New York area. It is designed to operate much faster than AT&T's circuits, which most companies currently use for this purpose.

Business courses

The factory of the future, Brussels. February 28-March 2. Fee: Non-members: BFr 44,000; members (AMA/I): BFr 40,000. Details from: The Registrar, Management Centre Europe, Avenue des Arts 4, 1040 Brussels, Belgium. Telephone: 219.03.90.

Developing managerial effectiveness, Henley. February 28-March 5. Fee: £630 plus VAT. Details from: The Registrar, Henley, The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Telephone: 049-166 454.

Employment law for managers, London. February 22-23. Fee: BIM members £196.50; non-members £218.50. Details from British Institute of Management Foundation, Management House, Cottingham Road, Corby NN17 1TT.

International tax management, Brussels. February 28-March 1. Fee: Non-members: BFr 43,000; members (AMA/I): BFr 39,000. Details from: The Registrar, Management Centre Europe, Avenue des Arts 4, B-1040, Brussels, Belgium. Telephone: 02.219.03.90. Telex: 21.9.17.

UK COMPANY NEWS

Burton still interested in UDS deal

SALES at *Burton Group* for the 20 weeks to January 15, 1983 were 25 per cent ahead of the comparable period due to an "exceptional Christmas," Mr Ralph Halpern, chairman, told members at the annual meeting. He also confirmed the group's interest in a possible deal to buy the Richards Shops chain from UDS — "at the right price."

Mr Halpern repeated that Burton had no intention of making a bid of its own for the UDS group. He said that the group saw the market selling to women over 25 as a major future growth area.

"*It is a market we are clearly* looking at and Burton has the ability either to develop it organically or the strength to acquire a chain at the right price," said Mr Halpern.

He stressed that his group had made "no offers" to UDS. But he declared himself firmly on the side of UDS in its fight to beat off the 100p a share bid from the Heron-led consortium.

Mr Halpern denied speculation suggesting that there has been a *boardroom split* at the group over the possibility of buying the Richard Shops chain.

He told members that the board was "totally united" in *its views on the way it was being* developed and run. The recently disclosed share sales by three Burton directors were for various personal reasons and did not in any way reflect a lack of confidence by these directors. Together he pointed out that they still retained 356,000 share *options in the group*.

"I would like to see UDS succeed as a company. Anything Sir Robert Clark can do to make sure his company is run successfully must be right, not to sell it for half the asset price to a team who obviously do not have the expertise to run a retail business," said Mr Halpern.

Midland Trust

Gross income from investments at Midland Trust moved ahead from £176,442 to £193,533 for the six months to December 31 1982. Net asset value per 25p share was shown as rising from 127½p to 153¾p.

Short term deposit and bank interest improved from £7,831 to £12,581. Expenses rose from £10,817 to £11,551.

After tax of £58,596 (£52,037) earnings per share were given as improving from 2.87p to 3.22p. The net interim dividend has been lifted from 2.45p to 2.59p—last year a total of 6.3p was paid.

Trident falls £3m in year of change

IN A year of radical change for Trident Television, pre-tax profits fell from £7.39m to £4.34m and turnover for the 12 months ended September 30, 1982 dropped to £90.03m, against £108.42m previously.

Profits however, were some *£0.5m ahead of the interim projection*, when pre-tax figures of £3.86m (£4.26m) were reported. The directors then indicated that group profits for the second half would be minimal and they could not assume more than a break-even situation for the period.

Yearly earnings per 10p share show a reduction from 10p to 3.8p, but the dividend total is being maintained at 4.26p net with a same-again final of 3p.

Tax charge for the year was £2.47m, as against £2.51m, and after taking account of extraordinary debits of £2.2m (£1.5m credits) the group emerged with an attributable loss of £0.32m, compared with £6.38m profits previously. Dividends absorb £2.12m (£2.09m).

Mr Ward Thomas, the chairman, says the main thrust of the company's business in the coming year will be gaming. "We have now welded together a strong management team and we are already benefiting from a streamlined operation in our two main London casinos — the *Clermont and the Victoria. Our* two recently acquired additions —the Village and the Connoisseur—offer considerable scope for development," he states.

The group's second major source of revenue will be its continuing income from Yorkshire Television and Tyne Tees Television by way of rental and dividend income. Trident's investment in these companies, the property and equipment rented to them and its other property investments have a book value exceeding £19m.

Mr Thomas says the past year has seen enforced changes resulting in a major shift in the nature of the group's business. "We are now able to devote our energies to the continuing development of your company in whose successful future your board has the fullest confidence," he tells members.

The divestment of Yorkshire Television and Tyne Tees Television was completed on December 31, 1981. Pre-divestment *profits from television contracting* amounted to £3.2m and as associated companies for the nine months from January 1982 their attributable prots before tax were £1.1m. In addition income from the rental of studios and technical equipment for the same period amounted to £1m.

The company acquired the UK interests of Playboy in January last year, which have since been reorganised to constitute a new division trading as Trident Casinos. This division made a trading loss of £0.4m after charging non-recurring costs of £2.2m.

The Park Lane Casino was closed on February 15, 1982, five weeks after purchase. Thereafter until the appeal against the refusal of a licence was dismissed in July non-recurring costs of £1.8m were incurred in maintaining the casino in a state of readiness to recommence business. Closure of the casino resulted in additional net costs of £1m which have been charged as an extraordinary item: these principally comprise staff redundancy costs.

The Clermont also closed on February 15 but reopened in May. Non-recurring costs of £0.4m were incurred in maintaining the Club during three months closure until a new gaming licence was obtained. Since then business has built up very satisfactorily.

The Victoria casino operated successfully through the period from January 8 to the year end and achieved its best-ever result.

The *bookmaking* division ended the year with a small trading loss, but its disposal right at the end of the year for £6.18m cash yielded an extraordinary profit of £1.1m after allocating £4.2m of the goodwill involved in its original purchase. The balance of the Playboy goodwill, *amounting to £7.3m*, has been written off against reserves.

The future of the former Playboy casino at 45 Park Lane is being carefully considered. Overheads have been reduced to a minimum and the company is keeping all options open in its determination to make the best *of this important property in or* out of gaming. Planning applications have been made for a possible change of its use.

In the U.S. the directors are considering the future of the company's film operation and are actively discussing a number of possibilities with various interested parties. It has been felt prudent to provide £3.5m against the reorganisation of these operations and this has been charged as an extraordinary item.

Finally, to exploit any opportunities that may arise in the field of cable and satellite television, the company has joined with the Rank Organisation in forming a development company —Rank Trident Satellite and Cable—on a 50/50 basis to pool *resources in studying this complex* field and preparing for participation as and when circumstances are favourable.

See Lex

HIGHLIGHTS

American Express is spending $550m on buying the wholesale banking interests of **Trade Development Bank**. Lex considers the implications of the U.S. bank's purchase. At yesterday's *annual meeting* **Burton** *chief, Mr Ralph Halpern, disclosed* his company's interest in buying the Richard Shops chain from UDS which is currently fighting off a £190m bid from a consortium lead by **Heron Corporation**. Lex comments on the *tactics before moving* on to look at the latest figures from **Trident Television** which has kept itself in the black during the closing six months despite a lower contribution from its TV interests and the problems of its London casinos. Finally Lex comments on the U.S. bank quarterlies.

High-class lingerie maker stops trading

BY LISA WOOD

The Janet Reger factory in Wirksworth, Derbyshire, which made some of the worlds most exclusive lingerie, has closed and about 120 people have lost their jobs.

Workers yesterday offered to work at reduced rates to keep the factory operating.

Mr Peter Reger, managing director of Janet Reger Ltd, a family-owned business said: "The company has gone into voluntary liquidation. A Receiver has not yet been appointed but we are hoping for a rescue operation."

He said that a great many factors had contributed to the closure but he blamed principally the recession. While demand for products had continued to grow there had been an erosion of profit margins with a subsequent financial loss last year.

Janet Reger underwear is *among the most expensive in the* world. While a pair of knickers cost from £15 the most expensive article, a handpainted silk nightdress and negligée set costs £400.

Mr Reger rejected a suggestion that the goods were overpriced. "Goods are expensive," he said "but they are produced by craftsmen."

Mrs Janet Reger, who has designed lingerie for some 30 years, will continue to honour licensing contracts with Berlei and Breconshire Hosiery, a spokeswoman for the company said.

The company's shops in New Bond Street and Beauchamp Place, London and in Wirksworth remained open yesterday with underwear for sale costing up to £200.

Janet Reger Ltd was started in 1967. The company has tried to boost trade recently by going into the mail order business but with relatively little success. It had also expanded last year, taking on 50 more employees and opening a shop in Munich.

Western Board improves

Western Board Mills has beaten its forecast *of* lower profits for the six months ended September 30 1982 by returning *figures of £882,000 at the pre-tax* level, compared with £864,000 for the same period last year.

At the annual meeting last September Mr H. Vogel, the chairman, said business conditions had been difficult and although the group was continuing to trade profitably, results for the first *half* would be somewhat below those of the corresponding months of the previous year.

Sales in the last quarter of 1982 were slow but Mr Vogel says they have recently shown signs of improvement.

He points out that the slide in the value of sterling can only be of benefit to the group and says he believes with the help of a further profit on sales of investments (£107,000 in the first *half*) taken in the current half year full results should be similar to last year's — pre-tax profits then totalled £1.76m.

Meanwhile, the net interim dividend is held at 2p per 10p share: a final of 4.5p was paid previously.

First half turnover fell from *£2m to £1.85m — the group is* involved in the manufacture of mill and fibre boards and the fabrication of board components.

Tax took £435,000 (£449,000) after which stated earnings per share emerged at 8.5p (7.8p). Retained profits amounted to £341,000 (£309,000).

The group's ultimate holding company is Legov (Jersey).

Horsell Group optimistic

A rise of £106,000 to £812,000 in pre-tax profits is reported by Frank Horsell Group, the Leeds printing equipment manufacturer, for the half-year to September 30, 1982. Sales were up by 26 per cent at £6.72m against £5.31m, and the directors say this was a "creditable achievement" in a time of recession.

They say an increase in export sales of 47 per cent is particularly commendable in the light of the strength of sterling in that period. The board expects the second half to be more profitable than the first.

The pre-tax figure was struck *after depreciation of £319,000* against £180,000 and interest payable of £124,000 (£106,000).

Mr Alan G Martin, the chairman, says the construction of a second coil line for the production of presensitised plates, foreshadowed in July, is now well in hand. This will provide for the continuing growth in demand for the company's products.

Mr Martin says J and C Printing Inks, printing ink manufacturer, which joined the Horsell *Group in 1976*, has not achieved a level of profit commensurate with the capital employed, and as a result, the company has been sold at its net asset value.

The resources thus released, together with the enhanced profit retentions to be expected as a result of the proposed bonus issue—by a capitalisation of the share premium account—will be used to accelerate the successful development of the other *companies in the group*.

The board believes that it is in the interests of the company to reduce its overall dividend costs for the financial years ending March 31, 1983-1987.

Horsell's shares are traded on the market made by M. J. H. Nightingale and Co.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Caledonian Cinemas int	2	—	2	—	9
Countryside Props.	2.7	—	2.45	4.24	3.85
Courts (Furnishers) int	1.75	April 8	1.75	—	3.7
Group Investors ......int	1.1	Apr 5	1.1	—	3.2
Lincroft Kilgour	2	April 6	1	2	1
Midland Trust ...... int	2.59	—	2.45	—	6.3
Trent Holdings ......int	0.84	March 25	0.7	—	1.75
Western Board ......int	2	March 10	2	—	6.5
Westpool Inv. Tst. ...int	0.34	March 12	0.34	—	1.16

Dividends shown pence per share net except where otherwise stated.

* *Equivalent after allowing for scrip issue.* † *On capital* increased by rights and/or acquisition issues. ‡ USM Stock.

Notice of Redemption

Continental Telephone International Finance Corporation

8¼% Guaranteed Debentures Due 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of February 15, 1971 under which the above described Debentures were issued, Citibank, N.A., as Trustee, has drawn by lot, for redemption on February 15, 1983, through the operation of the sinking fund provided for in said Indenture, $1,256,000 principal amount of Debentures of the said issue of the following distinctive numbers:

COUPON DEBENTURES OF $1,000. PRINCIPAL AMOUNT OUTSTANDING

M16	1162	2187	3500	4462	5436	6397	7096	9037	10706	14633	15933	16741	17554	18176	18726	19349
23	1167	2194	3504	4481	5437	6412	7100	9042	10714	14641	15940	16749	17566	18184	18731	19356
70	1179	2200	3510	4605	5445	6431	7110	9048	10754	14649	15941	16758	17579	18193	18738	19364
77	1185	2208	3511	4609	5458	6437	7144	9095	11102	14655	16000	16765	17588	18200	18744	19372
82	1186	2245	3514	4611	5488	6453	7151	9099	11276	14666	16037	16786	17622	18208	18751	19380
85	1218	2306	3518	4612	5496	6472	7173	9100	11301	14682	16045	16794	17631	18217	18756	19390
101	1219	2317	3526	4620	5498	6481	7176	9104	11309	14683	16063	16809	17641	18222	18763	19391
111	1244	2329	3533	4631	5499	6492	7192	9114	11317	14694	16070	16814	17649	18230	18769	19399
112	1245	2347	3552	4638	5507	6497	7234	9120	11324	14702	16073	16820	17671	18236	18774	19407
116	1353	2350	3659	4648	5508	6500	7243	9125	11327	14711	16081	16871	17679	18245	18781	19415
127	1361	2372	3679	4654	5518	6507	7251	9131	11334	14727	16088	16880	17686	18253	18788	19424
145	1386	2476	3686	4661	5520	6516	7257	9144	11344	14734	16097	16888	17693	18262	18797	19432
154	1392	2488	3698	4669	5528	6523	7263	9148	11441	14750	16104	16893	17700	18269	18804	19440
166	1398	2515	3699	4678	5537	6541	7279	9173	11450	14771	16113	16900	17707	18276	18810	19449
169	1400	2610	3704	4697	5546	6546	7283	9176	11456	14855	16125	16910	17714	18284	18817	19457
174	1403	2617	3715	4711	5550	6550	7289	9185	11463	14908	16136	16947	17721	18292	18822	19464
179	1405	2634	3732	4720	5564	6557	7298	9190	11471	14947	16144	16956	17728	18299	18828	19473
187	1418	2635	3735	4727	5571	6565	7311	9196	11479	14955	16152	16963	17735	18307	18833	19481
249	1424	2641	3736	4738	5582	6576	7321	9197	11487	14975	16159	16970	17742	18318	18840	19488
255	1528	2647	3740	4764	5600	6583	7330	9209	11494	14983	16167	16977	17750	18325	18846	19496
288	1534	2653	3746	4773	5609	6590	7338	9214	11525	14990	16174	16988	17757	18332	18853	19500
294	1541	2656	3755	4789	5611	6604	7355	9220	11555	15024	16180	17001	17765	18340	18859	19508
333	1542	2662	3768	4791	5616	6624	7356	9227	11567	15030	16189	17008	17773	18347	18866	19513
344	1551	2680	3773	4831	5623	6630	7365	9229	11569	15039	16191	17019	17774	18356	18874	19518
348	1556	2688	3828	4833	5630	6637	7449	9404	11572	15129	16203	17024	17783	18357	18881	19524
356	1559	2696	3858	4847	5634	6645	7478	9409	11577	15254	16267	17025	17792	18365	18887	19529
362	1563	2740	3872	4869	5645	6651	7485	9414	11585	15260	16275	17031	17816	18373	18893	19535
453	1564	2764	3888	4872	5654	6657	7521	9417	11590	15266	16284	17036	17831	18381	18899	19541
457	1581	2772	3893	4875	5657	6664	7567	9425	11592	15424	16328	17044	17839	18388	18901	19549
459	1588	2780	3942	4932	5664	6669	7575	9444	11599	15433	16337	17052	17848	18395	18909	19553
466	1593	2787	3965	4940	5667	6676	7586	9450	11604	15436	16345	17060	17857	18401	18916	19558
472	1609	2796	3988	4947	5680	6694	7587	9456	11609	15441	16353	17066	17863	18408	18918	19565
477	1630	2804	3994	4956	5774	6702	7593	9460	11622	15447	16364	17095	17870	18416	18924	19567
478	1635	2812	3998	4968	5780	6707	7621	9470	11628	15455	16373	17137	17877	18423	18931	19574
483	1661	2881	4002	4988	5783	6715	7629	9481	11636	15463	16380	17164	17885	18429	18938	19586
489	1666	2885	4006	5005	5861	6731	7644	9491	11740	15470	16387	17170	17892	18435	18947	19595
496	1672	2891	4018	5044	5874	6740	7651	9498	11865	15477	16396	17182	17899	18445	18955	19600
504	1676	2908	4025	5051	5880	6780	7664	9500	11917	15484	16404	17190	17908	18452	18961	19606
510	1682	2914	4044	5071	5892	6798	7703	9507	11933	15491	16410	17198	17909	18460	18967	19614
515	1725	2922	4052	5099	5895	6803	7712	9521	13053	15498	16418	17214	17917	18466	18978	19622
519	1741	2937	4059	5142	5903	6809	7738	9528	13056	15505	16428	17221	17924	18474	18984	19629
520	1745	2945	4073	5160	5922	6817	7739	9537	13320	15507	16435	17228	17931	18479	18997	19631
531	1749	2962	4098	5167	5930	6820	7741	9582	13331	15511	16442	17229	17939	18487	19003	19633
535	1755	2970	4104	5174	5937	6823	7860	9651	13352	15518	16457	17251	17947	18494	19012	19637
537	1760	3006	4111	5175	5945	6828	7990	9692	13412	15525	16464	17259	17956	18503	19019	19643
600	1766	3010	4117	5200	5950	6830	8230	9701	13430	15533	16472	17272	17964	18510	19027	19648
627	1775	3048	4125	5201	5977	6838	8407	9710	13446	15540	16480	17277	17970	18521	19033	19653
635	1785	3079	4140	5207	6177	6839	8441	9715	13616	15544	16487	17288	17977	18530	19034	19658
751	1813	3090	4243	5216	6184	6848	8445	9720	13620	15557	16495	17372	17986	18537	19111	19669
756	1820	3097	4257	5226	6191	6855	8452	9911	13682	15559	16502	17377	17994	18544	19125	19674
802	1824	3098	4266	5240	6199	6882	8463	10048	13001	15564	16510	17383	18000	18552	19149	19679
836	1834	3109	4275	5251	6204	6869	8473	10060	13084	15575	16521	17388	18009	18560	19157	19684
861	1843	3114	4284	5256	6210	6919	8480	10112	13110	15581	16529	17408	18016	18568	19165	19690
872	1844	3141	4291	5266	6217	6929	8506	10117	13119	15588	16530	17417	18021	18575	19173	19696
880	1859	3144	4313	5270	6225	6937	8557	10125	13417	15594	16538	17441	18023	18583	19179	19701
931	1924	3149	4318	5277	6233	6944	8561	10147	13419	15600	16550	17444	18030	18584	19186	19707
937	1928	3154	4322	5285	6240	6950	8604	10161	13424	15607	16558	17450	18037	18592	19210	19715
1003	1944	3182	4323	5294	6270	6951	8614	10169	13433	15615	16566	17458	18043	18599	19219	19723
1016	1950	3186	4351	5299	6271	6958	8685	10175	13440	15622	16584	17465	18050	18607	19228	19726
1020	1978	3192	4358	5308	6277	6974	8814	10192	13448	15623	16595	17472	18057	18616	19239	19733
1062	1987	3199	4367	5314	6284	6976	8820	10311	13455	15752	16603	17480	18064	18623	19249	19738
1063	1992	3203	4376	5320	6297	6984	8841	10312	13606	15790	16611	17486	18070	18630	19255	19744
1066	2025	3211	4386	5326	6298	6990	8843	10321	14541	15810	16620	17488	18079	18639	19267	19752
1087	2031	3214	4394	5330	6305	6993	8852	10330	14550	15831	16628	17489	18087	18648	19273	19769
1097	2038	3227	4396	5352	6311	7000	8886	10336	14555	15840	16636	17495	18098	18655	19279	20071
1107	2044	3230	4399	5360	6318	7007	8901	10344	14563	15849	16644	17500	18105	18663	19280	20079
1118	2053	3330	4408	5366	6324	7013	8904	10345	14570	15866	16653	17508	18112	18671	19288	20089
1124	2078	3336	4415	5371	6327	7015	8909	10346	14577	15885	16658	17516	18122	18678	19295	20102
1128	2080	3441	4423	5390	6331	7017	8919	10350	14589	15893	16665	17518	18127	18686	19302	20109
1134	2137	3445	4424	5394	6338	7025	8927	10496	14599	15900	16672	17524	18132	18693	19310	20113
1141	2141	3455	4431	5402	6341	7043	8933	10498	14605	15907	16683	17525	18139	18694	19317	20122
1144	2150	3477	4439	5414	6366	7050	9021	10638	14612	15913	16690	17534	18149	18700	19326	20130
1153	2157	3484	4447	5424	6384	7058	9027	10685	14618	15919	16697	17540	18157	18714	19333	
1161	2180	3498	4454	5433	6391	7089	9034	10696	14625	15927	16706	17546	18168	18721	19341	

The Debentures specified above are to be redeemed for the said sinking fund at the office of the **Trustee, 111 Wall Street, in the Borough of Manhattan, The City of New York, State of New York,** the main offices of Citibank in Amsterdam, London, Paris, Frankfurt/Main, Milan or Brussels or at the office of Kredietbank S.A. Luxembourgeoise in Luxembourg, as the Company's paying agents, and will become due and payable on February 15, 1983, at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date. Coupons maturing on February 15, 1983 should be detached and presented for payment in the usual manner.

For CONTINENTAL TELEPHONE INTERNATIONAL FINANCE CORPORATION

By CITIBANK, N.A.,
Trustee

January 14, 1983

ISSUE NEWS

S. Pearson raising £25m by loan stock placing

S. Pearson & Son is raising approximately £25m through an issue of 13 per cent unsecured loan stock dated 2007.

Lazard Brothers, the merchant banking subsidiary of Pearson, yesterday undertook to subscribe, or procure subscription, for £25m of the stock; and arrangements have been made for it to be placed.

The stock was priced to yield a *margin of 1.85 percentage* points over the gross redemption yield on 13¼ per cent Treasury Stock 2004/08 at 3 pm yesterday.

On this basis, the stock is being issued at a price of £97.174 per cent, giving a gross redemption yield of 13.4 per cent. An initial £25 per cent payment on the stock is due on January 24, the *remainder being payable not* later than May 6.

S. Pearson states that its policy is to strengthen its capital *structure by lengthening* the maturity of its borrowings, and in particular by fixing the interest rate on a significant portion of its debt for long periods.

The proceeds of the issue are to be used to repay existing short and medium term variable rate borrowings.

Lord Blakenham, chief executive of S. Pearson, said yesterday that the move represented prudent financial housekeeping. It followed the recent restructuring of the group's various existing debentures and loan stocks.

He said that the total net borrowings of the group were a little over £130m at the end of the year, mostly in the form of medium term loans and overdrafts. Pearson was now introducing an element of long-term finance, deferred until now "because that market has been closed for ten years, and it has not been possible to do it."

£4.8m tag on advertising agency

BY DOMINIC LAWSON

Wight Collins Rutherford Scott is becoming the third British advertising agency to go public, via the USM. Brokers Simon and Coates is placing 640,600 shares at 150p each *representing 20* per cent of the capital. At that price WCRS is capitalised at £4.8m.

The remaining 80 per cent of the equity is held in virtually equal proportions by directors Mr Robin Wight, Mr Ron Collins, Mr Andrew Rutherford and Mr Peter Scott. Of the 640,600 shares to be placed, 438,800 have been sold by directors.

WCRS was founded in 1979, and the company claims to be "the first of the new wave of *British advertising agencies*." In the three years up to April 1982 turnover has mushroomed from under £4m to over £12m and pre-tax profits have climbed from £101,000 to £239,000.

The directors forecast that in the absence of unforeseen circumstances profits for the *year to April* 1983 before and after exceptional items will be not less than £585,000 and £470,000 respectively. The exceptional item of £115,000 represents the costs of relocating its offices to Great Queen Street in London's Covent Garden.

On the forecast profits after *exceptional item*, and *on a 52 per* cent tax charge, the prospective p/e ratio at the placing price is 21.4. The directors intend to recommend a dividend of 2.75p net per share in respect of the year to April 1983, which would represent a yield at the placing price of 2.6 per cent.

In giving reasons for coming to the USM the company says that it will provide flexibility in financing growth, though chairman Mr Wight says "overseas development is not on for at least three years."

Mr Wight added that the issue, which will raise £302,700 of new capital, "will raise funds to assist in the expansion of the business, following the refurbishment of the agency's new *premises at a total capital cost* of £325,000.

WCRS's current clients include Birmid Qualcast ("less bovver than a hover"), Philips small appliances, the Central Office of Information, Brutus Jeans, Nabisco Brands and BMW. A few months ago WCRS won the contract for Bass' Carling Black Label.

Mr Wight said yesterday: "When we set up the company four years ago we set ourselves a target of getting £1m in billings within six months. Otherwise we would have gone bust. In the event we got £5m in billings in those first six months."

● comment

Simon & Coates' last few USM new issues have all been very much at the high tech end of the electricals sector, but in placing Wight Collins Rutherford Scott on a prospective p/e of over 20, S & C could hardly be said to be lowering its sights. In fairness, WCRS's rating is very much in line with those of quoted rivals Saatchi & Saatchi and Geers Gross, and WCRS looks to have the better growth prospects, if only because of the *relatively early stage of its* development. Its progress hitherto has been pretty spectacular, growing in four years from four men with no clients and a flat rented weekly, to a company with billings of about £24m — putting it narrowly outside the UK top twenty. This is one of *those "our assets are our* people" businesses as the director's emoluments reveal. However the company's very unusual policy of doing without costly creative presentations could now be construed as a way of saving shareholders' money. The big question for the future is whether in growing even bigger WCRS can avoid beaurocratisation and continue to generate income per employee at the very high levels it has managed hitherto.

Bristol Waterworks £3m placing

Bristol Waterworks Company has placed £3m in 12¼ per cent redeemable debenture stock 2004 at £99 per cent. The placing was made by Seymour Pierce and Co. in conjunction with Hoare Govett.

Comparative Government stocks are yielding about 11¼ per cent to redemption. Senior partner at Seymour Pierce, Mr Cyril Greenwood, said yesterday "*we had no difficulty in placing* the stock. Gilts have weakened since we completed the placing, but the stock's gross yield is still more than one per cent higher than comparable gilts."

● comment

In what is a specialised market, the Bristol issue is one of the smallest such offerings in recent years. That could limit its marketability, but these *stocks tend to start life in firm* hands and stick. The yield is no more than fair, and the weakening of gilts since the placing was completed on Monday morning suggests that any premium is liable to be under one point.

Lincroft lower but doubles dividend

ALTHOUGH reduced profits have been produced by the Lincroft Kilgour group for the year to September 30 1982, the directors are doubling the dividend to 2p net per share. In 1979-80 they passed the payment, against 4.05p in the preceding year.

The directors consider the results to be satisfactory—profit before tax came to £245,673 compared with £320,868—in view of the worldwide recession that has prevailed throughout the year.

The results reflect steps taken to reduce stocks and cut back capacity in all parts of the group to a level where an adequate return on capital employed can be achieved.

This year's profit has been arrived at after taking into account £204,207 for redundancy compensation payments and £30,381 for additional depreciation following the move of the bespoke section's business to Savile Row.

In the year turnover fell from £10.58m to £7.75m and trading profit from £142,522 to £99,096, but after the redundancy and additional depreciation charges. Investment income, including realised gains, rose to £150,744 (£102,983). As stocks and other working capital continue to be reduced, funds under management are becoming an increasingly important part of the group's overall affairs, the directors tell members.

After tax, minorities and extraordinary credits, principally comprising gains arising on the sale of the freehold interest in the former registered office in Warwick Street and three other freehold premises, the attributable net profit came out at £619,275 (£237,059) for earnings of 3.16p (5.1p) per 10p share.

The group's freehold and long leasehold properties, other than an office in Belgium, were revalued at September 30 1982 and showed a reduction of £51,326 over the 1978 revaluation, which has been charged to the reserves.

	1981-82	1980-81
	£	£
Turnover	7,745,138	*10,581,219
Cloth merch.	6,210,165	7,394,010
Menswear mfg.	1,534,973	3,187,209
Home sales	2,757,719	4,759,355
Exports	3,447,290	4,250,945
Overseas cos.	2,176,040	2,320,367
Intra group	636,911	749,448
Trading profit	99,096	142,522
Cloth merch.	68,968	182,714
Menswear mfg.	108,687	56,207
Overheads	78,559	96,399
Home sales	98,687	56,207
Exports loss	71,862	†41,013
Overseas cos.	190,830	141,701
Overheads	78,559	96,399
Investment inc.	150,744	102,983
Exch. differences	‡4,167	75,363
Profit before tax	245,673	320,868
Taxation	95,032	77,586
Minorities	883	1,001
Extraord. credits	467,751	§7,224
Attributable	619,275	237,059
Dividend	95,838	47,919

*Includes some £1.2m from businesses disposed of. †Profit. ‡Loss (profit). §Charges.

● comment

The results and balance sheet details disclosed yesterday give shareholders in Lincroft Kilgour a chance to see the new shape of the company, which has been in a state of flux for the past two years. The disposal programme is now virtually completed and the £1.5m cash pile will remain invested in marketable securities, in accordance with boardroom policy. Return on capital employed, the board's chosen criteria of success, stand at 5 per cent, against a target of 10 per cent. For the current year, investment income will probably stabilise, but trading income will benefit strongly from the absence of further redundancy charges. With higher spending at the retail end likely to feed back to the clothing manufacturers, Lincroft is now an attractive recovery stock, with a yield of 7.5 on the increased dividend as a special attraction for the shares which jumped up 10p to 40p yesterday.

Bellair back in the black

FOR THE full year to October 31 1982 Bellair Cosmetics returned to profits of £10,000 against previous losses of £21,000. Despite increased losses at the halfway stage the directors say that the profits achieved in the second half — amounting to £152,000—justify the recommendations of the board and subsequent resolutions passed in July 1982.

Turnover for the 12 months moved ahead from £1.2m to £2.96m.

There was no tax charge (same), and earnings per 10p share were given as 0.42p (losses 0.82p). There is again no dividend—company is 76.2 per cent owned by Fenton Hill International.

An increased loss of £142,000 against £51,000 was made at the halfway stage. The principal cause, according to the directors, for the loss for the six months to April 30 1982 was that from November 1 1981 the company ceased sharing the use and cost of a factory with its associate, together with management and selling overheads.

The directors point out that the first half loss was achieved despite the "substantial" increase in turnover from £634,000 to £1.14m. They add that it was also indicative of the seasonal nature of the business resulting in losses for the first half and profits in the second half.

Countryside improves by 34% and expects further progress

A 34 PER CENT improvement in profits and a higher dividend are reported by Essex-based property developer and housebuilder Countryside Properties for the 12 months ended September 30 1982.

At the pre-tax level profits rose to a record £1.76m, an increase of £449,000 over the previous year's figures. The second half contribution advanced from £908,000 to £1.23m.

A final dividend of 2.695p (2.45p) raises the net total by 0.385p to 4.235p per 25p share—a higher increase in the final dividend was considered but the directors say they believe the group's future prospects would be better served by retaining as much profit as is reasonably possible while still increasing the dividend by a higher margin than the rate of inflation generally.

Looking to the current year Mr Alan Cherry, the chairman, says given economic conditions no worse than those experienced recently 1982-83 will prove to be a further period of satisfactory progress.

He adds that prospects for housing look better and points out that the lowering of home loan interest rates in November has already shown signs of stimulating the market and that the present low house price-to-earnings ratio means that prospects for further improvement "look good."

Turnover for the year under review was down slightly at £15.24m (£16m) mainly because house sales were lower than the previous year. The sales level was much in line with group forecasts and "reasonable" considering the poor state of the housing market during most of the period.

On the commercial side two office developments and a large supermarket project were completed and sold during the year.

Trading profits moved ahead from £2.75m to £3.18m but these were subject to interest charges of £1.42m, against a previous £1.44m. A share of profits of associates added £3,000 (nil).

Tax took £110,000 (£99,000) and after dividend payments of £254,000 (£231,000) retained profits advanced from £985,000 to £1.4m, increasing shareholders' funds by 26 per cent.

Stated earnings per share rose from 20.3p to 27.6p.

Mr Cherry says the group's policy of concentrating the group's housing developments within the south-east region continues to be sound having regard to the extreme problems which have upset the housing markets in some parts of the UK.

Its policy of offering a wide range of housing types and sizes caters for most likely purchaser requirements. The group is offering one-bedroom cottages and studios, priced at about £20,000, to five-bedroom houses at £130,000. Specially designed housing schemes suitable for the elderly are also being considered.

At present the group is developing an office scheme at Waltham Cross and will shortly be starting another at Brentwood. Other sites for office developments have been acquired at Orpington and Tunbridge Wells.

Also under development is a scheme on the Kingston by-pass.

The portfolio of the group's associate company, Countryside Investments, was not added to during the last financial year. However, since the year end the town centre shopping scheme at Deal has been completed and this development, which has been let as a whole to Key Markets, will be retained by the investment company.

The results for the 1981/82 year were in line with the group's expansion programme.

Allowing for current cost adjustments pre-tax profits emerged at £1.39m, compared with £908,000, and on the same basis earnings per share were 21.2p (13.5p).

Last July it was announced that Mr Cherry would be increasing his beneficial interest in the group by acquiring 300,000 shares from director Mr S. Bobroff (who was shortly to retire), raising his interest in the group to some 25.3 per cent.

Courts climbs 34% to £2.2m midterm

WHILE TURNOVER of Courts (Furnishers), the house furniture retailer, rose by 9.6 per cent from £30.7m to £33.65m, including VAT, pre-tax profits for the six months to September 30, 1982 were over 34 per cent higher at £2.21m, compared with £1.64m last time.

After a difficult start, trading conditions in the UK started to improve towards the end of the first-half period and the improved trading continued during the third quarter of the year.

Satisfactory progress was maintained overseas—results having been converted at exchange rates prevailing at September 30, 1982. In the third quarter, the usually strong pre-Christmas trading was well up to expectations.

Despite the increase in profits, the interim dividend is unchanged at 1.75p net per 25p share—payments for the last full year totalled 3.7p on taxable profits of £4.6m.

For the first six months of the current year, operating profits rose from £1.45m to £1.76m, before including an increased deferred profit transfer of £451,000, as against £197,000.

The tax charge was up from £713,000 to £966,000 giving a net balance of £1.24m, compared with £931,000.

So far in the current year new stores have been opened in Littlehampton and Horsham in the UK, while overseas additional outlets have commenced trading in Australia (one), Fiji (three), St Lucia (one), Jamaica (two), Hong Kong (three) and Singapore (two).

● comment

Once again, Courts' overseas stores have boosted profits to give a respectable 34 per cent rise in a period that was lean for the UK furniture industry. The company has only 37 outlets abroad, compared with 102 in the UK, but those 37 account for about 40 per cent of turnover—and two-thirds of profits. The increase in pre-tax profits is partly due to an accounting quirk of the company that defers profits from hire purchase sales until the payments are completed. If the HP balance is low, more deferred profit is transferred to the p and l account, and vice versa. In this period, £451,000 was transferred, compared with £197,000 in the same six months of 1981. But HP sales picked up substantially after controls were lifted, so there should be a net take-out at the year-end. Trading in the months since mid-August in the UK has been much better and pressure on prices has eased a little. For the current year, £5m should not be out of reach, including a small amount from property disposals. On that basis, the fully-taxed p/e is 11¼, and the yield, just over 4 per cent. The shares rose 4p on the day to close at 130p.

Scottish & Newcastle to restructure wine division

Waverley Vintners, the wines and spirits subsidiary of Scottish & Newcastle Breweries, is to be restructured and a new company, Waverley Group, will manage and operate through three main trading businesses from the beginning of May this year.

These will be Waverley International, a new company responsible for all exports and overseas sales of Scottish & Newcastle's beers, wines and spirits; Gough Bros, the group's southern-based chain of specialist off-licences; and Waverley Vintners, the UK agency and wholesaling company trading through Waverley Vintners (Wholesale), Canongate Wines and Christopher and Company.

From May, responsibility for distilling, blending, bottling, purchasing, importing and primary warehousing will pass from Waverley Vintners to the Waverley Group.

Waverley Vintners will concentrate on marketing, selling and distributing group wines and spirits products, together with agency and proprietary lines, to both trade and consumers in Great Britain.

LMS takes major stake in Delfont leisure group

BY DAVID DODWELL

London Merchant Securities, headed by Lord Rayne who also chairs the board of the National Theatre, yesterday revealed that it has taken a 30.54 per cent stake in Lord Delfont's newly established First Leisure Corporation, at a cost of £5.65m.

The new company, hived off from Trusthouse Forte by Lord Delfont last month at a purchase price of £37.5m, will have capital of £18.5m in £1 shares.

London Merchant Securities (LMS), with 5.65m shares, will be the biggest shareholder, with Trusthouse Forte (13.5 per cent), Anglia Television (5.4 per cent), Lord Delfont (5 per cent) and British American Film (2.7 per cent) the other leading investors.

Apart from the share capital, £20m has been raised through a syndicated loan for which the Bank of Boston is the agent. The other three banks in the syndicate, all putting up £5m, come from the UK, Austria and Canada.

First Leisure will comprise the leisure division of THF, which for the past two years has been headed by Lord Delfont. It includes the Blackpool Tower complex, the Chichester Yacht Basin, seven piers, various resort facilities, theatre restaurants, discos and squash clubs. It will have in the region of 3,000 employees.

Of the £37.5m purchase price, £5m will not be paid until late 1987. A further £4m has been handed back to First Leisure, it is understood, after adjustment for stocks and various other liabilities. With the extra £1m raised through the £38.5m cash and share funding, First Leisure will have initial working funds of about £10m.

Completion of the deal setting up First Leisure is expected in the next few days. The full year figures for THF Leisure to the end of October 1982 are also imminent, but the company was unwilling to give any indication of figures yesterday.

In the year to end-October 1981, the leisure division reported a profit of £8.9m before tax. This included a substantial windfall element because of property sales. The underlying profit figure at that time was said to have been about £4m.

However, investors in First Leisure were yesterday at pains to emphasise that the new company's prospects should not be gauged by the THF Leisure figures. They said that sales of various parts of THF Leisure's properties over 1982 would make it difficult to make reliable predictions about First Leisure's prospects.

Lord Delfont and the First Leisure board have made it clear that the company will in due course seek a stock exchange listing. This is unlikely, however, until the new company has settled down to normal operations. Listing is unlikely inside 12 months, and may take as long as three years.

Lofs to dispose of four ships

London & Overseas Freighters, the tramp ship owner, operator and manager, said yesterday that it has proved necessary to sell ships to generate sufficient cash to meet loan and interest payments and maintain adequate working capital for a reasonable period ahead.

When the group announced pre-tax losses of £4.18m for the half year ended September 1982 at the end of last year it warned that trading losses and repayment of loans and interest make heavy demands on the company's cash resources.

Although the group's loan had been restructured London & Overseas Freighters said it "cannot rely on sufficient improvement in trading to maintain an adequate margin of working capital and the sale of one or more ships in the near future seems unavoidable.

The board of London & Overseas Freighters decided to put two dry bulk carriers on the market forthwith and to consider selling the remaining two sister ships in due course in the light of developments.

But the group said yesterday that the best offer received was for all four ships in a package deal. Accordingly negotiations have been concluded for the sale of all four vessels — "London Baron," "London Earl," "London Viscount" and "London Voyager" — for an aggregate sum of $20.55m payable in cash on delivery of each vessel expected between now and March 31 1983.

The written down value of these vessels at March 31, 1982 was £17.1m and for the year ended that date the profits before tax attributable to them were £80,000 compared with a loss of £1.84m for the group as a whole.

For the six months ended September 30, 1982 the losses before tax attributable to the vessels were £1.15m.

After repaying related loans and meeting expenses in connection with the sale it is estimated that the group resources will be augmented by £6m.

Mr M. A. Kulukundis, the managing director, said yesterday that London and Overseas Freighters had been asked not to name the purchaser, but said that a circular would be issued to shareholders in due course.

Pauls & Whites expands in U.S.

Pauls and Whites, manufacturer of animal feed, brewing products, essences and flavours, has bought Reynaud of the U.S. for $1.5m (£0.95m).

The UK company will finance the deal by placing 400,000 shares. The company did not disclose the placing price, but it is understood to have been at a tight discount to the market price. Pauls and hWites shares fel 2p yesterday to close at 258p.

Pauls and White will pay $950,000 to Reynaud on completion of the deal. The balance of $550,000 will be paid over the next three years.

Reynaud is a flavour and fragrance company in New Jersey, and will be a base from which Pauls and Whites can expand in the U.S. market, the company said yesterday.

Reynaud announced pre-tax profits to end-October 1982 of $190,000 and has net tangible assets of $660,000. Pauls and Whites reported turnover for the year to the end of March 1982 of £271m, of which 4 per cent was accounted for by flavours, essences and hop products. More than 7 per cent of its £9.7m pre-tax profits came from this division. The company has no other substantial subsidiaries in the U.S.

ANGLIAN WINDOWS/ ALCAN HOME FRONT

Double glazing window replacement concern Anglian Windows has substantially increased its network of High Street showrooms with the purchase of Alcan Home Front, the retail double glazing arm of British Alcan Aluminium.

The acquisition, which Mr Alan Keizer, joint managing director of Anglian, says will "fit perfectly into our existing operation and give us a broader base for further growth," involves 25 Alcan showrooms and six installation depots and brings Anglian's number of showrooms and depots to 125 and 52 respectively.

Anglian, with a workforce of some 4,000, confidently expect turnover to exceed £65m in the current year.

The company has been considering a public flotation on the Stock Exchange. Some 25 per cent of its share capital is held by Silvermines, the Irish investment concern.

SCOTT & ROBERTSON BUYS PLASTI-COVERS

Scott & Robertson has executed a conditional agreement for the purchase of Plasti-Covers, a company engaged in the manufacture and marketing of polythene packaging products.

Consideration will be £891,000, payable in cash on completion, from existing resources and the issue to the vendors of 2.16m new ordinary shares. Following the issue of shares the vendors of Plasti-Covers will own 30.4 per cent of the enlarged share capital of Scott & Robertson.

The panel on takeovers and mergers has agreed, subject to shareholders' approval to the transaction, to waive the requirement for the vendors to make an offer for the whole of the Scott & Robertson capital.

IBSTOCK JOHNSEN

Ibstock Johnsen has written to shareholders confirming its advice to them that they should at present take no action in respect of the London Brick offer, in view of the proposed higher offer for the company from Redland.

London Brick has announced that it has extended its offer for Ibstock Johnsen until February 7 1983. London Brick has received acceptances in respect of 14.9 per cent of the capital of Ibstock Johnsen.

BLUNDELL PERMOGLAZE

Blundell-Permoglaze acquired only the industrial paints business of Ault and Wiborg Paints, and not, as suggested in our report of January 7, all the paints related operations. Ault and Wiborg Paints continues to manufacture special paints for the automotive and packaging industries.

ALCAN LOAN AGREEMENT

Alcan Aluminium has agreed in principle with Finance for Industry on a 10-year £20m loan to assist in financing the recently completed merger of Alcan Aluminium (UK) and British Aluminium Company.

Under the agreement, Alcan will issue to Finance for Industry warrants to purchase common shares of Alcan. Each warrant entitles the holder to purchase one Alcan common share at C$36.50 at any time until December 31, 1986. The warrants are identical to those issued in connection with a recent offering of Aluminium Company of Canada preference shares.

The number of warrants to be issued will be determined early next month by dividing the Canadian dollar equivalent of 8 per cent of the loan by the market value of the warrants at that time.

Randfontein does well in December quarter

BY GEORGE MILLING-STANLEY

THE HIGHER average gold price during the December quarter has helped all the gold producers in South Africa's Johannesburg Consolidated Investment ("Johnnies") and Anglovaal groups to improve their net profits for the period.

Randfontein Estates in the Johnnies group, the leading light in the recent upsurge in gold share prices on the stock market, boosted mill throughput by supplementing ore from underground with reprocessed material from surface dumps.

The operation managed to maintain its recovery grade at 5 grammes of gold per tonne, and avoided any increase in working costs, with the result that operating profits rose by one-fifth.

A lower charge for taxation and the State's share of profits under the mining lease formula, in consequence of higher capital expenditure, brought about an increase of almost 70 per cent in net profits to R67.91m (£40m).

The rise in capital spending followed the mine management's decision to speed up the pace of development work, especially on the richer Cooke section. Values as high as 12.3 grammes of gold per tonne were achieved at the Cooke No. 3 shaft, although the latest report pointed out that this was limited in area.

	Dec R000 qtr	Sept R000 qtr	June R000 qtr
Randfontein	67,906	40,204	28,724
Western Areas ...	19,419	8,720	861

The forward sales policy of the big but low-grade Western Areas in the same group to some extent cut the mine off from the benefits of the improvement in the bullion price.

The average gold price received was almost $40 lower than for Randfontein Estates, in sharp contrast to the September quarter, when Western Areas reported a higher price than Randfontein, in spite of its forward sales.

The September figure of $376 has, however, subsequently been found to be in error, and Western Areas has re-stated its gold price for the September quarter at $357 an ounce. This shows clearly the effects of the policy of selling the bulk of production forward, in that it denies a mine the benefits of a rising bullion price.

Nevertheless, Western Areas has achieved its objective of keeping the mine open during last summer's weakness in the gold price, without resorting to state aid.

The Anglovaal group's Hartebeestfontein managed only a marginal increase in net profit. Increases in the gold price and the milling rate, plus a slight rise in grade, produced higher operating profits, but a cut in capital spending meant a higher tax charge, and royalty payments increased, so that net profits were just 3 per cent higher.

	Dec R000 qtr	Sept R000 qtr	June R000 qtr
Hartebeestfontein	33,820	33,082	34,202
Loraine	4,034	†816	*8,389
Cnsd. Murchison	1,805	1,599	†1,379
Prieska	3,218	2,692	†920
East Transvaal ...	3,927	2,487	2,915
Village Main	132	155	†170

† Loss. *After receipt of State assistance. ‡After repayment of State assistance.

The marginal Loraine suffered from higher working costs, following a reduction in the amount of ore drawn from surface dumps, and had to repay more to the state assistance scheme for the September quarter.

In spite of this, net profits improved, largely in consequence of the higher gold price and a positive contribution from non-mining income.

The group's base metal operations, the copper-producing Prieska and the antimony and gold concern Consolidated Murchison, both continued to do better over the period.

Prieska benefited from an increased number of copper shipments made in the December quarter, while Murchison was saved by higher income from its by-product gold.

Round-up

Southern Peru Copper Corporation (SPCC) has completed on schedule the repayment of a $200m (£126m) loan, the major segment of the approximate $400m financing for the construction of the big Cuajone copper mine in Peru which was completed in 1976.

The mine, which is owned as to 91 per cent by SPCC and 9 per cent by Billiton of the Netherlands, is currently closed together with the SPCC Toquepala copper mine and Ilo smelter as a result of a labour stoppage which began on January 6. Asarco holds 52.3 per cent of SPCC.

*

Australia's Endeavour Resources, a company in the Bond Corporation group, is continuing discussions with the National Companies and Securities Commission (NCSC).

The latter requested the suspension of trading in Endeavour shares in Melbourne on Monday because it felt the market was not properly informed about the security of loans of A$7.94m (£4.96m) made by Endeavour to the small Nabta and Namka companies which had used the loans to purchase a share in Pacific Copper and which had since sold these shares at a loss.

The NCSC has been concerned about the ability of these companies to repay the loans. Endeavour takes the view that the Bond Corporation guarantee for the Nabta and Namka loans "eliminates any difficulty the NCSC considered to exist." Endeavour expects the matter to be resolved in the near future and will make a further statement at that time.

*

It is reported from Canberra that Triefus, a London company specialising in the marketing of industrial diamonds, has been appointed to provide an independent valuation of diamonds produced from the big Argyle Diamond Mines Joint Venture in Western Australia which is headed by the Rio Tinto-Zinc group's CRA.

The buk of the Argyle production will be marketed by the De Beers group's Central Selling Organisation. Triefus, acting on behalf of the Australian Federal Government and the Western Australian State Government, will have the task of certifying that the Argyle diamonds are sold at a price representing market value for the quantities and qualities sold.

*

A RECENT examination of the financial performance of 33 Canadian mining companies shows a total loss of C$450m (£228m) for the first nine months of 1982 compared with net profits of C$920m in the same period of 1981. Gold companies saw profits fall to C$63m from C$93m in the respective periods, but earnings improved in line with bullion prices in the third quarter.

Australian Consolidated Minerals (ACM) has received acceptances totalling more than 98 per cent from Nickelore shareholders to its offer of three ACM shares plus 20 cents in cash for every two Nickelore shares, and the outstanding shares will be acquired compulsorily.

This will give ACM 100 per cent ownership of the promising Big Bell gold mine in Western Australia, following the acquisition of the 20 per cent stake held by Amax of the U.S.

Big Bell has reserves of more than 10m tonnes, grading an average of 5.1 grammes of gold per tonne.

UK COMPANY NEWS

Trent Holdings up 44% at midway

THE ADVANCE in profits forecast by Trent Holdings for the half year ended September 30 1982 turns out to be 44.4 per cent. The company is a specialist door manufacturer and formerly enjoyed the title of Leaderflush (Holdings).

The directors report that 1982 is proving to be a successful year for the group, with the demand for Leaderflush anti-vandal, fire resistant and security doors continuing to grow.

To ensure that capacity keeps pace with demand and that delivery periods do not become prolonged, the new factory has been extended and additional plant installed.

In the half year group turnover advanced by £510,000 to £1.59m and the profit before tax by £46,753 to £151,985.

Earnings are shown at 5.87p per share (4.85p). The interim dividend is lifted from 0.7p to 0.84p—in 1981-82 a total of 1.75p was paid from a pre-tax profit of £225,000.

	Half year 1982 £	1981 £
Turnover	1,591,000	1,081,000
Trading profit	184,426	140,737
Profit sharing	13,667	5,014
Interest paid	18,774	30,491
Profit before tax	151,985	105,232
Taxation	24,500	—

● comment

Trent Holdings (né Leaderflush) has cornered for itself a tightly-defined but rapidly growing market segment where it has only a few small UK competitors and is shielded from foreign competition by UK building and fire regulations. About 15 per cent of sales are of security doors which are fire-proof, vandal-proof, burglar-proof and often bullet-proof. The demand for these and for single-purpose fire doors has largely bucked the recession. About a quarter of the doors being produced at a rate of about 1,200 a week—all of which are purpose-made—are used in re-furbishing offices. Other customers include hospitals, banks, council flats, shops and public buildings. The factory in Derbyshire near the M1, which was occupied three years ago, is currently working flat-out with 120 employees and the order book is worth about £1.6m, 50 per cent up on this time last year. The possibility of selling off over six acres of adjacent land, now that an option has expired, should eliminate borrowings, already low, and encourage the company to diversify into security installation. It already has an eye open for a small low-profits company. But after the turmoil caused by mass resignations and boardroom battles six years ago, Trent has adopted an ultra-cautious approach which will limit its prospects for rapid growth. Pre-tax profits this year should reach £330,000 which would put the company on a fully-taxed prospective p/e of 15 on yesterday's share price of 114p.

160 companies wound up

COMPULSORY winding up orders against 160 companies have been made by Mr Justice Vinelott in the High Court. They were:

Worrall-Eckersley Construction, Anastasia Music, The Eye Gee Company, Caterguide, Kellygate, A. E. Boyman and Son, Mansell (Bookbinders), William Sturgeon (Transport).

Kemstead, Cuisine Furniture, H. R. Mitchell and Sons, Interguard, Varicross, Morrison Industries, Morrisons of Southampton, Taskerton, M. and K. Welsh Freight.

W. R. Heat Pumps, Topaz Film Distributors, Novahome, A. V. Sorge and Company, Ted Holmes Services, Guardi Security Services, Hampshire Repro, Guy Peters (Castleford), Garden House Press, Riftland, Kent Printex.

Grabplan, Gauntlime, St Neots Riverside Home Improvements, Anglodale, F. E. B. Martin and Sons, Crownpalms, Westward HO Plant, Arthur Oakes.

H. Pickup Structural Engineering, Millard Enclosures, Kite and Giller, Arumplan Design Services, Bedrock Designs, Broadspeed Transport.

C. & M. Asphalt Co., Cotrixtime Engineering, Blidworth Demolition, Aleck Carr & Sons, Topbridge, Ansboro & Lawlor (Builders), Bramlands Investment Company, Kiddiescope, Kemhurst, Anzani Asphalt.

T. H. Contractors, Industrial Cladding, Gem-Time, Jeplight, Golden Grove, Ben Harris (Metropole Chauffeur Driven), Alderton & Sams (Engineers).

Leisure Games (Wales), Raymond Potteries, Jill Eaton Enterprises, Marginplan, Foilwise, GFI, Airedale Lighting, Judge & Wardle (Contractors).

Hetmoor, Luminaire Systems (Electrical Engineers), Cameo Designs, IM Manufacturing Company, Santillis Transport (Highbury), The Thomson Superphones Company, Runnymede Squash and Tennis Club, Screenbrook, Arawak Records, Hartley Computer UK, Stockvern, Seal Plumbing & Heating, Pumphall.

Maison Rubans, North Ten, P. N. Dell, Suncity Builders, Anglia Pipeline Products (UK), Dialmere, Stanwood (Building Contractors), Mundas Coaches, Bethrol Fashions, Astra Agency Associates, Lessage Property Co., Marcrisji Engineering.

Grapplebest, Chesnut Tree Cafe, D. A. Models, D. J. Humphrey Salvage, West London Ceiling and Partitioning Supplies, Stallnote, Beaver Management Services, Deepwell, Pellucidus, Tabwish.

Leystate, Odenstar, Smokestile, SPC Graphics Centres, Andreas Hair Control, Bathglaze, Ladbourne Engineering, Persline, Richard Forshaw and Company.

E. R. Craddock and Co., Redditch Manipulation (Tubes), Leamill Engineering (Redditch), Tadburn, Rowland Ward, Weggren.

Clubs (Menswear), Kidbrooke Asphalting Company, Richards Street Recoveries, Cleartone Electronics, Hadrian Computer Services, Strapwise, Fincham Kent Clocks, Protoville, Rainham Maintenance Company.

L and B. Jewellers, Shady Lady, Akenmay Print and Packaging Services, Seniors of Didsbury, Steele and Dolphin, Abbey Garage, Crabtree and Nicol (Sheffield), Shardelow Sturkey, Goodmayes Motors (Engineering).

Mentorbridge Properties, Saragate, Zilch Records, Nor-Lond Printers, J. R. Loudspeakers, J. M. Sweeney (Haulage), Roachberry.

Lynn Forwarding, A. C. Sewell, Pauline Robinson (Medway), I.P.C. (Industrial Project Consultants), Warmnite Windows, Grange Produce, Overseas Freightways, Colebrook Litho, Abacus Electrical.

Dart Fish, Beta Services (East Anglia), C. and G. Installations (Luton), Liftshire, C. B. Malone, Trent Engineering Company, Waltral, Thatcher, Fagor (UK).

RESULTS AND ACCOUNTS IN BRIEF

RUSSELL BROTHERS (PADDINGTON) shopfitting, specialist joinery and exhibition contractor — Interim dividend 1.25p net (same)—waiver in respect of 221,020 shares. Turnover half year ended August 31 1982 was £744,150 (£515,400). Loss £9,000 (£72,600) before tax nil (credit £15,500). Fall in interest rates appears to have had some effect on customers willingness to commit themselves to contracts. Order book shows small improvement and directors look forward to an early return to profitability.

DIAMOND STYLUS (maker and distributor of diamond tipped styli)—For first half to September 30 1982: taxable losses £32,238 (£113,965): turnover £836,349 (£810,044): interim dividend nil (same); chairman says cost efficiencies and savings have stopped downward trend.

NSS NEWSAGENTS—Results for the year to October 3 1982 reported on December 9. Shareholders' funds £19.86m (£17.63m): fixed assets £21.37m (£17.03m): net current assets £1.8m (£3m): decrease in working capital £1.53m (increase £942,000). Chairman expresses "more optimism" for coming year and reports that sales in the first quarter are ahead of those for last year. Meeting: Woking, Surrey, on February 8 at 2.30 pm.

BURNS-ANDERSON (steel reinforcement, motor vehicle distribution, fittings and property investment and development)—Results for the year to end-September 1982 reported December 23. Group shareholders' funds £4.42m (£4.83m for previous 15 months). Fixed assets £3.09m (£2.98m). Net current assets £1.51m (£872,905). Decrease in working capital requirement £397,188 (£1.71m increase). Meeting: Manchester, February 10, noon.

BASE LENDING RATES

A.B.N. Bank	11 %	■ Hambros Bank	11 %
Allied Irish Bank	11 %	Hargrave Secs. Ltd.	11 %
Amro Bank	11 %	Heritable & Gen. Trust	11 %
Henry Ansbacher	11 %	■ Hill Samuel	§11 %
Arbuthnot Latham	11 %	C. Hoare & Co.	†11 %
Armco Trust Ltd.	11 %	Hongkong & Shanghai	11 %
Associates Cap. Corp.	11 %	Kingsnorth Trust Ltd.	12 %
Banco de Bilbao	11 %	Knowsley & Co. Ltd.	11½%
Bank Hapoalim BM	11 %	Lloyds Bank	11 %
BCCI	11 %	Mallinhall Limited	11 %
Bank of Ireland	11 %	Edward Manson & Co.	12 %
Bank Leumi (UK) plc	11 %	Midland Bank	11 %
Bank of Cyprus	11 %	■ Samuel Montagu	11 %
Bank Street Sec. Ltd.	10½%	■ Morgan Grenfell	11 %
Banque Belge Ltd.	11 %	National Westminster	11 %
Banque du Rhone	12 %	Norwich Gen. Tst.	11 %
Barclays Bank	11 %	P. S. Refson & Co.	11 %
Beneficial Trust Ltd.	12 %	Royal Trust Co. Canada	11 %
Bremar Holdings Ltd.	12 %	Roxburghe Guarantee	11½%
Brit. Bank of Mid. East	11 %	Slavenburg's Bank	11 %
■ Brown Shipley	11 %	Standard Chartered	‖11 %
Canada Perm't Trust	11½%	Trade Dev. Bank	11 %
Castle Court Trust Ltd.	11½%	Trustee Savings Bank	11 %
Cayzer Ltd.	11 %	TCB	11 %
Cedar Holdings	11 %	United Bank of Kuwait	11 %
■ Charterhouse Japhet	11 %	Volkskas Intl. Ltd.	11 %
Choulartons	11½%	Westpac Banking Corp.	11 %
Citibank Savings	¶ 9 %	Whiteaway Laidlaw	11½%
Clydesdale Bank	11 %	Williams & Glyn's	11 %
C. E. Coates	12 %	Wintrust Secs. Ltd.	11 %
Comm. Bk of N. East	11 %	Yorkshire Bank	11 %
Consolidated Credits	11 %		
Co-operative Bank	*11 %		
The Cyprus Popular Bk	11 %		
Duncan Lawrie	11 %		
E. T. Trust	11 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	12½%		
Robert Fraser	12 %		
Grindlays Bank	‡11 %		
■ Guinness Mahon	11 %		
Gulf G'tee Trust Ltd.	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%. 1-month 8.25%. Short-term £8,000/12-months 10.6%.
† 7-day deposits on sums of: under £10,000 8%, £10,000 up to £50,000 8¼%, £50,000 and over 9½%.
‡ Call deposits £1,000 and over 8%.
‖ 21-day deposits over £1,000 9%.
§ Demand deposits 8%.
¶ Mortgage base rate.

Westpool ahead after opening six months

Pre-tax profits at Westpool Investment Trust improved from £1.02m to £1.14m in the six months to October 31 1982. Dividends from London Merchant Securities, which have been incorporated in the half-year results, totalled £998,000 compared with £826,000. Other UK investment income was lower at £40,000 against £66,000, and overseas investment income was down from £91,000 to £50,000.

The pre-tax figure was after interest receivable amounting to £132,000 (£94,000), underwriting income of £1,000 (£21,000), management expenses of £43,000 (£45,000) and interest payable of £36,000 (£32,000).

There was a tax charge of £354,000 compared with £335,000, leaving £788,000 (£686,000) available for distribution in Westpool. The interim dividend is unchanged at 0.344p—last year's total was 1.156p net. Dividends absorb £339,093. Stated earnings per 25p ordinary share were 0.8p (0.7p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—AGB Research, James Austin Steel, Sidney C. Banks, Estates Property Investment, A. and J. Gelfer, Mountleigh, New Wits.

Finals:—Bootham Engineers, Thomas French, Gestetner, Lloyds and Scottish, Tate and Lyle, Trusthouse Forte, Vogelstruisbult Metal.

FUTURE DATES

Interims:—	
Aerospace Engineering	Jan 26
Longton Industrial	Jan 27
Renwick	Jan 28
Star Computer	Jan 24
Finals:—	
Bank Leumi (UK)	Feb 9
Ventona	Jan 25

Caledonian Cinemas improves £93,000

DESPITE A reduction in turnover from £5.58m to £5m, taxable profits of Caledonian Associated Cinemas increased from £195,000 to £288,000 for the 26 weeks to September 25 1982.

However, the directors say that the results for the interim period are not necessarily representative of those for the full year. For the 12 months to March 27 1982, pre-tax profits slumped from £905,000 to £215,000, on turnover of £10.78m (£9.91m).

Tax charge for the first half of the current year rose by £56,000 to £174,000 leaving net profits ahead at £114,000, as against £77,000. The net interim dividend is a same-again 2p per 25p share—last year's final was 7p.

The company's cinema results continue to be affected by the barring regulations, the directors state. An unsuccessful application was made in October 1982, under the rules presently obtaining in the industry, to have this restrictive practice removed.

Although a public enquiry was held last March, the company has only just been advised that the Secretary of State for Scotland has turned down its appeal against the refusal of planning permission to redevelop the site of the former Playhouse Cinema and adjacent buildings in Inverness.

This is a most disappointing decision, say the directors, who add that the company must now consider afresh what, if any, potential this town centre site has for an economically viable redevelopment in the light of the continuing planning difficulties.

The company's operations cover cinemas and leisure, finance and investment dealing, property and retailing. The ultimate holding company is the Equity Trust.

Yelverton sees expansion

IN THE first two months of its current year Yelverton Investments had attained a significant increase in profitability and the directors were confident of achieving further substantial growth for the full year, Mr G. Hall, chairman, told the annual meeting.

The group's investment in the UK property field was being increased, following the very profitable re-entry into property last year and the appointment of Mr Colin Bray to the board.

Mr Hall said that in the current year net asset value had risen from 22p to over 30p per share. This was largely the result of an increase in North American investments which had benefited from the strength of Wall Street and of the dollar.

Also, since the majority of investments were in fixed interest stocks and warrants, the lowering of U.S. interest rates has been very beneficial. Over 62 per cent of Yelverton's gross assets were invested overseas, of which 57 per cent was in North America.

Since its year-end on October 31 last, the company had made three further significant investments — 110,000 ordinary shares in Aitken Hume Holding (10.9 per cent); 50,000 shares of common stock in Penn Corporation Financial Inc — now American Can convertible preferred stock and notes — (10.5 per cent); and 110,000 HK$1 shares in General Orientale (4.4 per cent).

Yearlings

The interest rate for this week's issue of local authority bonds is 10¾ per cent, unchanged from last week and compares with 15¼ per cent a year ago. The bonds are issued at par and are redeemable on January 25, 1984.

A full list of issues will be published in tomorrow's edition.

Anglovaal Group

Mining companies' reports – Quarter ended 31 December 1982

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date, except those of Loraine Gold Mines Limited for the quarter and financial year ended 30 September 1982, are unaudited.

Rate of exchange on 31 December 1982, R1,00 = £0.57 £1.00 = R1.76.

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter, should write to the Transfer Secretaries, 56 Main Street, Johannesburg, 2001 (P.O. Box 62379, Marshalltown, 2107).

Consolidated Murchison Ltd

Issued capital: 4 160 000 shares of 10 cents each

	Quarter ended 31 Dec. 1982	Quarter ended 30 Sept. 1982	Financial year ended 31 Dec. 1982
Financial results	R000	R000	R000
Sales of antimony concentrates less realisation charges	3 811	3 963	11 840
Gold sales	2 077	1 797	6 710
Sundry mining income	14	20	100
	5 902	5 780	18 650
Working costs	4 100	4 297	17 775
Working profit	1 802	1 483	875
Non-mining income	55	76	570
	1 857	1 559	1 445
Prospecting expenditure and stores adjustment	71	—	220
Profit before taxation	1 786	1 559	1 225
Taxation	(19)	—	(19)
Profit after taxation	1 805	1 559	1 244
Capital expenditure	138	198	1 387

Financial
The revenue from the sale of antimony concentrates brought into account each quarter is based on actual shipments made, which can vary considerably from quarter to quarter.

Dividends
No dividends were declared in 1982.

Capital expenditure
Outstanding commitments at 31 December 1982 are estimated at R97 000 (30 September 1982: R2 000).

Eastern Transvaal Consolidated Mines Ltd

Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 31 Dec. 1982	Quarter ended 30 Sept. 1982	Six months ended 31 Dec. 1982
Operating results			
Gold			
Ore milled ... t	74 600	74 000	148 600
Gold recovered ... kg	635,62	610,50	1 246,12
Yield ... g/t	8,5	8,2	8,4
Revenue ... R/t milled	132,13	122,51	127,34
Costs ... R/t milled	55,39	56,47	55,93
Profit ... R/t milled	76,74	66,04	71,41
Revenue ... R000	9 857	9 066	18 923
Costs ... R000	4 132	4 179	8 311
Profit ... R000	5 725	4 887	10 612
Financial results	R000	R000	R000
Working profit – gold mining	5 725	4 887	10 612
Non-mining income	84	269	353
	5 809	5 156	10 965
Prospecting expenditure	441	385	826
	5 368	4 771	10 139
Taxation	1 441	2 284	3 725
Profit after taxation	3 927	2 487	6 414
Capital expenditure	3 073	904	3 977
Dividends	1 727	—	1 727
	4 800	904	5 704
Development			
Advanced ... m	2 096	2 086	4 182
Sampling results:			
Sampled ... m	1 168	1 418	2 586
Channel width ... cm	192	204	199
Channel value ... g/t	11,7	12,3	12,0
... cm.g/t	2 242	2 510	2 389

Dividend
Interim dividend No. 65 of 40 cents per share was declared in December 1982 and is payable in January 1983.

Capital expenditure
Outstanding commitments at 31 December 1982 are estimated at R3 808 000 (30 September 1982: R2 785 000).

General
Due to the continuing weak demand for industrial and structural timber the Company has suspended its sawmilling operation.

Hartebeestfontein Gold Mining Co Ltd

Issued capital: 11 200 000 shares of R1 each

	Quarter ended 31 Dec. 1982	Quarter ended 30 Sept. 1982	Six months ended 31 Dec. 1982
Operating results			
Gold			
Ore milled ... t	748 000	738 000	1 486 000
Gold recovered ... kg	7 524,72	7 382,04	14 906,76
Yield ... g/t	10,1	10,0	10,0
Revenue ... R/t milled	154,53	145,90	150,24
Costs ... R/t milled	64,07	64,79	64,42
Profit ... R/t milled	90,46	81,11	85,82
Revenue ... R000	115 585	107 674	223 259
Costs ... R000	47 920	47 815	95 735
Profit ... R000	67 665	59 859	127 524
Uranium oxide			
Pulp treated ... t	748 000	738 000	1 486 000
Oxide produced ... kg	113 862	102 504	216 366
Yield ... kg/t	0,15	0,14	0,15
Financial results	R000	R000	R000
Working profit – gold mining	67 665	59 859	127 524
Profit from sales of uranium oxide, pyrite and sulphuric acid	2 794	2 918	5 712
Non-mining income	3 834	4 625	8 459
	74 293	67 402	141 695
Interest paid	345	335	680
Net royalty payments	2 826	523	3 349
Profit before taxation and State's share of profit	71 122	66 544	137 666
Taxation and State's share of profit	37 302	33 462	70 764
Profit after taxation and State's share of profit	33 820	33 082	66 902
Capital expenditure	11 895	13 802	25 697
Loan repayments	1 553	586	2 139
Dividends	33 600	—	33 600
	47 048	14 388	61 436
Development			
Advanced ... m	12 037	12 198	24 235
Sampling results on Vaal Reef:			
Sampled ... m	1 758	2 268	4 026
Channel width ... cm	62	56	59
Channel value – gold ... g/t	18.9	22.4	20.8
... cm.g/t	1 171	1 255	1 218
– uranium oxide kg/t	0.38	0.38	0.38
... cm.kg/t	23.59	20.99	22.13

Dividend
Interim dividend No. 54 of 300 cents per share was declared in December 1982 and is payable in January 1983.

Capital expenditure
Outstanding commitments at 31 December 1982 are estimated at R49 830 000 (30 September 1982: R54 969 000).

Prieska Copper Mines (Pty) Ltd

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 31 Dec. 1982	Quarter ended 30 Sept. 1982	Six months ended 31 Dec. 1982
Operating results			
Ore milled ... t	733 000	719 000	1 452 000
Concentrates produced			
Copper ... t	22 357	25 769	48 126
Zinc ... t	39 485	34 815	74 300
Concentrates despatched			
Copper ... t	31 535	19 851	51 386
Zinc ... t	37 491	34 841	72 332
Financial results	R000	R000	R000
Operating profit	2 956	2 503	5 459
Non-mining income	398	320	718
	3 354	2 823	6 177
Interest paid	136	131	267
Net profit	3 218	2 692	5 910
Capital expenditure	226	403	629
Development			
Advanced ... m	4 592	5 892	10 484

Prieska Copper Mines (Proprietary) Limited *(continued)*

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Taxation
No taxation was payable as the Company has an assessed loss.

Capital expenditure
There were no outstanding commitments at 31 December 1982 (30 September 1982: R185 000).

Loraine Gold Mines Ltd

Issued capital: 16 366 986 shares of R1 each

	Quarter ended 31 Dec. 1982	Quarter ended 30 Sept. 1982	Financial year ended 30 Sept. 1982
Operating results			
Gold			
Ore milled ... t	401 000	408 000	1 614 000
Gold recovered ... kg	2 005.05	2 258.02	7 955.15
Yield ... g/t	5.0	5.5	4.9
Revenue ... R/t milled	74.97	76.58	61.93
Costs ... R/t milled	67.22	62.48	57.61
Profit ... R/t milled	7.75	14.10	4.32
Revenue ... R000	30 065	31 244	99 955
Costs ... R000	26 955	25 493	92 976
Profit ... R000	3 110	5 751	6 979
Financial results	R000	R000	R000
Working profit – gold mining	3 110	5 751	6 979
Profit from sales of pyrite and treatment of stockpiled calcines	341	380	888
Non-mining income	1 188	(1 784)	2 392
State assistance	—	(1 846)	7 668
	4 639	2 501	17 927
Interest paid, stores adjustment and service benefits	605	1 610	2 918
Tributing royalty payable	—	(25)	186
Profit	4 034	916	14 823
Capital expenditure	4 490	5 934	27 828
Loans received and adjusted for currency fluctuations	375	2 544	8 472
	4 115	3 390	19 356
Loan repayments	235	2 079	2 332
	4 350	5 469	21 688
Development			
Advanced ... m	8 484	8 011	29 938
Sampling results:			
"B" and "A" reefs			
Sampled ... m	102	210	502
Channel width ... cm	39	42	43
Channel value ... g/t	63.6	24.8	19.1
... cm.g/t	2 454	1 042	822
Basal reef			
Sampled ... m	535	360	1 896
Channel width ... cm	9	11	9
Channel value ... g/t	64.5	82.1	81.6
... cm.g/t	555	895	718
Elsburg reefs			
Sampled ... m	650	744	2 146
Channel width ... cm	92	122	119
Channel value ... g/t	10.7	8.3	7.8
... cm.g/t	985	1 004	925
Total – all reefs			
Sampled ... m	1 287	1 314	4 544
Channel width ... cm	53	79	65
Channel value ... g/t	17.4	12.5	12.8
... cm.g/t	923	980	827

Taxation
No taxation or State's share of profit was payable as the Company has assessed losses.

Capital expenditure
Outstanding commitments at 31 December 1982 are estimated at R7 472 000 (30 September 1982: R9 166 000).

Shaft sinking
No. 1C sub-vertical shaft was sunk 92.5 metres to a depth of 473.3 metres below 52 level and concrete-lined to a depth of 462.5 metres. The station on 67 level was excavated and concrete-lined.

These reports have been approved by the directors of the respective companies and in each case have been signed on their behalf by two of the directors.

19 January 1983

INTERNATIONAL APPOINTMENTS

Senior vice president at ITT

● Mr Edmund M. Carpenter has been elected a senior vice president of INTERNATIONAL TELEPHONE AND TELEGRAPH. Mr Carpenter's responsibilities as group executive-automotive products worldwide have also been expanded. Mr Carpenter joined ITT in 1981. He had been president of the auto-truck group of Kelsey-Hayes Company, a subsidiary of Fruehauf Corp. since 1977 and earlier was vice president. He joined Freuhauf in 1974 as president and general manager of Fruehauf do Brasil.

● Mr Harry T. Wiley has been named director of advertising and communications for ASHLAND SERVICES COMPANY. He is responsible for providing a variety of advertising and employee communications services to Ashland Oil, Inc., the parent company and some of its divisions.

● Mr Mory Harsh has been named treasurer and Mr John Molenaar controller of AGRICO CHEMICAL CO. Mr Harsh was assistant treasurer and Mr Molenaar was assistant controller. Agrico Chemical is based in Tulsa, Oklahoma.

● Mr Rijnhard W. F. van Tets has been appointed a general manager of AMSTERDAM-ROTTERDAM BANK, Amsterdam. He was a vice-president at The First Boston Corp. in New York. Mr George E. Loudon will become a member of the board of AMSTERDAM-ROTTERDAM BANK on February 1 1983 instead of June 1. This earlier appointment is connected with the departure of Mr H. O. Ruding, to become minister of finance of the Dutch Government.

● Mr Ira J. Goldstein has joined METROMEDIA, INC., New Jersey, as general counsel. He was previously a partner of the law-firm of Moses and Singer.

● DANA CORP. has made Mr James Aers its treasurer, succeeding Mr Richard Maines who died in November. Mr Ayers was director of investor relations and served as assistant treasurer.

● The board of the EXPORT-IMPORT BANK has elected Mr John W. Wisniewski to the new position of vice-president of the engineering division. He has been chief engineer since February 1982. He heads a staff which reviews the technical aspect of projects submitted to the bank for financing.

● Mr Don R. O'Hare, vice-chairman of the board of Sundstrand, has been elected to the board of SULLAIR.

● Mr J. Gene Hinson and Mr Frank E. Rumpeltin have been elected corporate vice-presidents of STERLING DRUG INC., New York. Mr Vinh O. Tran has been elected assistant treasurer. Mr Hinson has been president of Sterling-Mediterranean, responsible for businesses in southern Europe, the Middle East and Africa, for the past year. Mr Rumpeltin is president of the consumer products division of the Lehn and Fink Products Group, Sterling's principal organization for the manufacture and marketing of a variety of well-known household and other products.

● MONTGOMERY WARD & CO., Illinois, has appointed Mr Joseph A. Sarnowski vice-president—treasurer. He was treasurer of the U.S. marketing and refining division of Mobil Oil Corp.

● Mr Robert M. Perkins has joined the board of OPTIMUM HOLDING CORP., New York. He is managing director of the corporate finance department for The First Boston Corp. and also a director of American Life Insurance Company of New York and DCD Technologies.

● Mr Richard D. Castle, has been named president of the Castle division of SYBRON CORP. The division, formerly part of Sybron's medical products division, is located in Rochester, New York, and manufactures surgical and sterilisation equipment and supplies for hospitals. Mr Castle is a grandson of Wilmot Castle, the founder of the company which has been part of Sybron since 1965.

● Mr Max J. Knapp has been named vice-president finance of UNITED TECHNOLOGIES, Connecticut's, electronics sector. He will be responsible for directing the sector's financial resources. The sector includes United Ttechnologies' Hamilton Standard, Norden Systems, Mostek, Essex, and Automotive units.

● KANEB SERVICES INC. has made six promotions. Mr Jack Strube, vice-president and controller, has been promoted to senior vice-president and controller. Mr Lester L. Thomas, Jr., senior vice-president finance, treasury and accounting of Diamond M Company, a Kaneb subsidiary, has been promoted to vice-president and treasurer of Kaneb. Mr Richard Lienberger, vice-president legal of Diamond M Company, has been promoted to associate general counsel and assistant secretary of Kaneb. Mr V. W. Archer III, vice-president finance of Weaver Oil and Gas corp, also a subsidiary has been promoted to assistant controller pipeline operations and exploration and production. Mr Craig Carrier, manager internal auditing, has been promoted to assistant controller engineering. Mr David W. Elsenhans, supervisor of internal auditing, has been promoted to manager internal auditing.

● Mr John B. Hall has been appointed marketing manager for HELLENIC LINES' operations in Saudi Arabia. He joins the company from Hapag-Lloyd and will be based in Riyadh.

Midland Bank New York branch chief manager

● Mr Harry P. Abplanalp has been appointed executive vice-president and chief manager of MIDLAND BANK'S New York branch which opens on January 3. He has been a consultant to Midland Bank since leaving Chase Manhattan as a senior vice-president in 1981.

● Mr Gerald W. Fleming, Microdata senior vice president for marketing, sales and service, has resigned to become president and chief operating officer of REXON BUSINESS MACHINES CORPORATION of Culver City, California. He will be succeeded by Mr John R. Bonne, Microdata vice president for North American sales.

● SPERRY CORP has appointed Mr Michael R. Losey staff vice-president compensation and employee benefits. He had been vice-president of personnel at Sperry New Holland since 1974. Mr Colotti has become vice-president planning and business development and Mr Hirschberg vice-president finance.

● Ms Carol Quinn, AMERICAN INSTITUTE FOR IMPORTED STEEL administrative manager since December 1977, has now been appointed executive director. She was previously associated with the Uni-Bell Plastic Pipe Association.

● Mr Ernst Zollinger, managing director of the Swiss textile machinery manufacturer MASCHINENFABRIK SCHWEITER, Horgn, has succeeded Mr Walter Gutzwiller as board chairman on his retirement. Dr Franz Betschon has succeeded Mr Willi Schweiter, who is also retiring in the management committee.

● Dr Ralph Saemann, head of plastics and additives division of CIBA-GEIGY, Basle, succeeds Dr Henri Schramek on May 18 as a member of the group management committee. Dr Schramek will join the company's board committee.

● Mr Michael S. Dubester has been named vice-president, operations, for THE HOME VIEW NETWORK, ABC Video Enterprises' home entertainment recording service. Mr Dubester will supervise the development and installation of various software support systems, including phone traffic, orders and billings, and the construction of a facility to house these systems. Mr Dubester was a vice-president of Contemporary Communications Corp.

● Mr Frederick Aldous, managing director of Swan National has been elected vice-president of the EUROPEAN CAR AND TRUCK RENTAL ASSOCIATION. His term of office is two years. He was also appointed chairman of the European leasing committee.

● Mr Philip R. Feigal has been appointed director of planning and analysis — telephone operations — in the corporate planning and development department of GTE, Connecticut. He was previously group specialist—capital recovery matters for the company.

● Mr. Richard S. Thomas has been named to the newly-created position of director — international sales and market deevlopment at RUBBERMAID INC., Ohio. He will be responsible for developing an integrated worldwide business for the company.

● Mr M. K. Kelliher has been appointed a director of HOGG ROBINSON & GARDNER MOUNTAIN (North American and aviation), part of Hogg Robinson Group.

● Mr Norman T. Wilde, Jr, president and chief executive officer of Janney Montgomery Scott Inc of Philadelphia, has been elected chairman of the board of governors of the NATIONAL ASSOCIATION OF SECURITIES DEALERS INC, and Mr A. James Jacoby, Jr, general partner in Asiel and Co of New York City, has been elected vice-chairman.

● Mr Angus R. Petrie, general manager and chief operating officer Americas of The Hongkong and Shanghai Banking Corp., has been named to the board of MARINE MIDLAND BANKS, INC., and its principal subsidiary, MARINE MIDLAND BANK, N.A., effective January 1. He will replace Mr Ian H. Macdonald on the Marine Midland boards when he retires as an executive director of HSBC and as a director of Marine Midland.

Senior posts at Time Inc

● TIME INC has elected the following vice-presidents: Frank J. Biondi, executive vice-president, planning and administration, of Home Box Office, Inc., Time Inc's pay cable subsidiary. Mr Reginald Brack, president and chief executive officer of Time-Life Books, Inc. Mr Joseph J. Collins, president of American Television and Communications Corp., the Denver-based multiple cable system operator. Winston H. Cox, executive vice-president, operations, of Home Box Office. Mr Michael J. Fuchs, executive vice-president, programming, of Home Box Office. Mr S. Christopher Meigher III, director of corporation circulation. Mr Richard B. Thomas, associate publisher/worldwide advertising sales director of Time magazine. Mr Richard F. Schnabel, director of Time Inc's accounting services, has been elected an assistant controller.

● Ms Marcy Swank becomes a director of BT ASIA, the Asia-Pacific merchant banking arm of Bankers Trust Company.

● Two executive changes have been made to the materials management staff of GENERAL MOTORS CORPN., effective January 1. Mr Charles T. Krause is placed on special assignment as executive-assistant to the vice-president, material management staff. He will work on special projects in support of Vauxhall Motors in the UK. Mr Loring B. Lyons is named vice-president for European Operations of Motors Trading Corpn., succeeding Mr Krause.

● Mr James R. Mansell, a senior vice-president and director of CBI INDUSTRIES INC, will head a new marketing and technical development group. Mr Dudley T. Lusk succeeds him as manager of engineering for CBI's principal subsidiary, CHICAGO BRIDGE & IRON COMPANY. Mr Mansell, who retains responsibility for research and development, will now be concerned with broad based technical decisions affecting all CBI companies.

*

● Mr Thomas M. Kelly has been named vice-president, Pacific division for LYKES BROS STEAMSHIP CO., INC. He replaces Mr William L. Burch, who has served as acting director of that division since January 1982.

● The Partners of BROWN BROTHERS HARRIMAN & CO., New York, have admitted Mr Donald B. Murphy as a general partner. Mr M. Gerald Sedam II has been appointed a senior manager.

● MORGAN GUARANTY TRUST COMPANY, New York, has promoted to vice-president Mr Douglas O. Marston, who heads the European unit of its newly-established global treasury services, based in Brussels.

● FRITZSCHE DODGE & OLCOTT INC, New York, has appointed Mr Eugene M. Gleason, vice-president human resources, administration and secretary, in addition to his duties as corporate secretary.

● COLUMBIA GAS SYSTEM, Delaware, has elected Mr Malcolm T. Hopkins, vice-chairman and chief financial officer of St Regis Paper Company, to the board.

● EUROPEAN BANKING GROUP has made the following appointments at European Banking Company, London and European Banking Company, Brussels: Mr S. J. Goldstein has become executive director, while Mr S. J. Whitmey and Mr R. L. M. Wohanka have been appointed assistant directors.

● Mr Guenter Kramer, chief corporate attorney for BAYERISCHE MOTOREN WERKE (BMW) has been appointed chairman of BMW's North American operation from January 1. Mr Kramer will be replaced in Munich by Mr Hagen Luederitz. BMW of North America, Inc., is based in Montvale in New Jersey.

● Mr Michel D. Marks has been elected to a third consecutive two-year term as chairman of the NEW YORK MERCANTILE EXCHANGE board of governors.

● Mr Michael F. Conners has been named vice-president and chief financial officer of APPLIED TECHNOLOGY VENTURES, INC., California. He has also been elected to the board.

● Fred W. Stuart, director, information resource management—West of PHELPS DODGE CORP., New York, has been appointed director of corporate information services, effective January 1. He will be responsible for eastern and western regional data centres and direction of data processing, communications, word processing, and all related activities.

Middle East banking chief

● Mr K. J. A. Katchadurian, has been appointed general manager and chief executive at BAHRAIN MIDDLE EAST BANK. He was previously with the Allied Bank International, New York.

● FLEXI-VAN CONTAINERS, New York, has appointed two vice-presidents in its European container division. They are Mr Thomas Gioertz, based on Bremen, West Germany and Mr Martin Osleger, based in Leighton Buzzard, England. Mr Gioertz will continue as area manager, responsible for Europe, while Mr Osleger continues as area manager responsible for the UK.

● Chrysler Corporation, Detroit, has appointed four managers within its DODGE maketing organisation. Mr John B. Damoose has been made national merchandising manager, responsible for all Dodge car and truck dealer merchandising and sales promotion activities. Mr Joseph J. Cronin is national advertising manager, responsible for all car and truck advertising. Mr Michael E. Dowd is national marketing plans manager, responsible for car and truck marketing and new vehicle launch marketing. Mr Richard E. Maxwell is performance car sales promotion manager, responsible for car and truck sales and activities. Chrysler has also made three Chrysler/Plymouth appointments. Mr Arthur C. Kesteloot has been appointed national advertising manager; Mr Edward J. Fleming national merchandising manager; Mr Steven A. Torek national marketing plans manager.

● Mr Lewis T. Preston, chairman of J. P. Morgan & Co. Inc. and Morgan Guaranty Trust Co. of New York, has been appointed to serve as a member of the FEDERAL ADVISORY COUNCIL of the Federal Reserve System, for 1983. He succeeds Mr Donald C. Platten, chairman and chief executive officer of Chemical Bank, as the representative from the second Federal Reserve district.

● Mr P. A. Johansen has been appointed to the board of SWIRE PACIFIC as finance director. He joined the Swire Group in 1973 and served in Hong Kong and Japan prior to his appointment as financial controller of Swire Pacific in May 1981.

President of Purolator

● Mr James W. Wilson has been elected president of PUROLATOR COURIER CORP., the U.S. courier arm of Purolator, Inc. Mr Wilson was president and chief operating officer of Purolator Courier, the Canadian courier operation. Mr Wilfred Lebert, who has been president of Purolator Courier for nearly three years, will return to Canada where he has been elected president of Purolator Courier, a position he formerly held.

● Mr Herbert E. Cherrill has retired as London representative of the BANK OF VIRGINIA. Mr Alexander Turner succeeds him.

● Mr Gerald L. Gitner, executive vice president-finance and chief financial officer at PAN AMERICAN WORLD AIRWAYS, has been named to Pan Am's board. Mr Gitner, joined Pan Am in February of 1982. Previously, he had been president and chief operating officer of People Express Airlines since that airline's incorporation in April 1980.

● Mr Thomas P. Bartle, Jr. has been made executive vice president of THE CARTER ORGANIZATION, INC. He joins the Carter Organization from Marine Midland Bank, N.A. where he was administrative vice president and director of corporate relations.

COMMODITIES AND AGRICULTURE

Flour sale to Egypt adds force to farm trade war threats to EEC

BY NANCY DUNNE IN WASHINGTON

THE U.S. has backed up threats of a farm trade war with the EEC by agreeing a subsidised 1m tonnes wheat flour sale to Egypt. It is the first American wheat flour sale to Egypt ina decade, the market having gone more and more to subsidised EEC exports. The U.S. deal represents one-sixth of the annual world trade in wheat flour.

It will be indirectly subsidised by the U.S. Government through the provision of cut-price stockpile wheat to the millers.

The Agriculture Department has been looking for a "surgically precise' action to take to win back business lost because of subsidised European prices.

The harsh rhetoric of the past was absent when U.S. and EEC officials conferred in Washington last week over efforts to resolve their differences but U.S. officials later cautioned against any expectation of major breakthroughs soon. They say they will take steps to compete with the Europeans if discussions do not produce concrete results and are also still considering a plan to sell part of the dairy surplus on the world market.

The State Department is reportedly opposed to any new challenges to the EEC while negotiations are proceeding, but agriculture officials are pressing the President to—in the words of Mr John Block, the agriculture secretary—"Fight fire with fire."

In his speech to the American Farm Bureau Federation alst week, President Reagan said that U.S. competitors "are through raiding the hen-house . . . We have declared that we will be competitive and we will be."

Flour sales to Egypt are considered a prime candidate for subsidy if the U.S. decides to move in that direction. Fifteen years ago, the Americans held almost 30 per cent of the Egyption flour market. That share shrank to nothing as the EEC increased its foreign sales of subsidised flour.

The EEC now sells Egypt about 1m tonnes of flour a year, offering it at prices far below that American millers acn offer.

The U.S. has not concluded a flour deal with the Egyptians on regular commercial terms in a decade. It exports 375,000 tonnes each year under the PL480 programme.

The Reagan adminstrations has $75m (£48.13m) to spend on "export promotion" left from a $175m Congressional authorisation passed last year. A sum of $100m was spent for its popular "blended credit" programme, and the Administration has been saving the remainder for possible subsidies on "some sales to some countries."

Ghana wins loan to modernise cocoa plant

THE African Development Bank has granted Ghana a $10m (£6.32m) loan to rehabilitate cocoa processing plants at Tema and Takoradi. Ghanaian experts will visit Europe soon to select machinery, says Mr A. Amedofu, manager of the former West African Mills at Tema, according to the Ghana newspaper the People's Daily Graphic.

● AGROMEK 83 exhibition on agricultural mechanisation is to be postponed because of the recent outbreak of foot and mouth disease in Denmark. It will be held when authorities say there is no further infection risk.

● MALAYSIAN National Rubber Smallholders' Association says speedy introduction of rubber futures trading on the Kuala Lumpur Commodity Exchange could help boost depressed rubber prices.

● THAILAND will seek to raise its coffee export quota to 2,696 tonnes for January-March to help solve its coffee surplus.

● AUSTRALIAN Wheat Board will supply Japan with about 900,000 tonnes of wheat this year. The target figure is the same as for 1982, when Australia sent 922,000 tonnes.

● BEDE SECURITIES, which runs computer commodity futures funds, offers a new method of providing fully segregated accounts with Lloyds Bank (City Trust Branch). Investors make cheques payable to Lloyds Bank for a special account over which Bede has no separate control. Funds are audited monthly by Stoy Hayward and Co.

● NON-FERROUS Metal Works of the World has produced an updated and extended third edition. Metal Bulletin Books, Park Terrace, Worcester Park, Surrey, £42.

Drought threatens Southern African crops

Recent rainfall is not enough to overcome drought conditions. **Bernard Simon** reports

RAIN CAME to a parched Transvaal at the weekend—too late to reverse much of the damage caused by Southern Africa's worst drought for a decade.

To add to farmers' worries, some areas are sweltering under record temperatures. In the North-West Cape, where the last good rains fell in 1974, temperatures soared last week to a blistering 46 degrees centigrade.

Zimbabwe's capital, Harare, had its hottest January day ever last Monday, and evaporation rates in some areas are up to a quarter higher than average.

Thanks to good rains in Botswana last November, the drought is not as critical yet as it was last year. Nonetheless, the Gaborone dam which supplies the country's capital with water is now only about one-third full.

The hot, dry weather has come at one of the most critical times for summer crops—particularly maize, which is both a staple food and one of the region's most important export commodities.

The South African Maize Board discussed a suspension of its export programme last week, but decided to wait another fortnight or so. South Africa is the world's fifth largest maize exporter.

No accurate estimate of this year's maize harvest is available yet. Some of the main South African growing areas, such as the Western Transvaal and North-West Orange Free State, may still produce good crops.

But almost half the crop in the Eastern Transvaal has already been lost and much of the rest wil be of poor quality.

The highest guesstimates of this year's South African crop are around 8m tons, slightly lower than last year and well down on the 14.2m tons harvested in 1981.

If official estimates—the first of which is due within the next month—indicate a crop of less than about 6m tons, exports are likely to halt. South Africa's domestic maize consumption is around 6.5m tons a year.

The Zimbabwe Department of Agriculture said this week that crops in many areas were past permanent wilting point and were either dead, dying or losing yield. Tobacco plants have been scorched and are flowering too early.

This is Zimbabwe's second consecutive year of drought, and this season's damage may be worse than in 1982. Last year's dry conditions particularly affected livestock areas but this year it is the country's main crop producing area—and thus staple food—in Mashonaland which is hardest hit.

Withered grazing has forced South African cattle farmers to send livestock to abattoirs earlier than usual. The authorities have tried to reduce slaughtering permits in some areas but the meat board has a stockpile of 60,000 carcasses.

The surplus has been aggravated by stagnant demand for red meat, following steep price increases in recent years and the effect of the deepening recession in South Africa on household spending patterns.

The meat board is considering a reduction in the controlled "floor" price or some form of consumer subsidy to stimulate demand for meat.

Low prices, this time in the international market, have also exacerbated the problems of karakul (Persian lamb) pelt producers in southern Namibia and the Cape Province. Mr G. C. van Wijk, chief executive of the International Karakul Secretariat, estimates that only 1-1.5m skins will be produced this year, compared to 2m in 1982 and 4.8m in 1981.

The South African Government has begun paying a subsidy to Karakul farmers to encourage them to stay on their farms.

Some important farming sectors have not yet been affected by the drought. Citrus fruit produced in South Africa, Mozambique and Swaziland is almost all grown under irrigation.

Mr Arend Venter, assistant general manager of the citrus exchange, said: "We'll be fine if it rains within the next month or so." There is less fruit on most trees but the size of the fruit is bigger than last year, an advantage in export markets.

Likewise, the drought has so far had little impact on the South African wool industry. The most critical period for sheep farmers is the next two months, when rain is needed to ensure adequate grazing during the winter.

Farming organisations and the business community in general are most worried about the effect of the drought on farmers' financial positions. Their debts have increased sharply in recent months. In South Africa, more than half of debts to co-operatives are in arrears.

The South African Government has been urged to implement more generous drought relief measures.

Foreign institutions donated 22m pula in drought relief aid to Botswana last year, but as one economist said in Gaborone, "We'll be scrambling all over for more help." if the rains do not come soon.

Gold futures traded options

THE LONDON gold futures market is to introduce trading in options early in March, it was confirmed yesterday, writes John Edwards. The move is part of the general aim to broaden the scope of the market, which has attracted increased interest since switching to a dollar contract in October.

However, the London market is taking a cautious aporoach in deciding, initially at least, to deal in the conventional type of options on futures contracts instead of the traded options introduced on the New York gold futures market last year.

Traded options, where the option can be bought and sold, are to be introduced for the first time on the London futures markets in March on the sugar contract.

● World mine production of gold gained slightly to an estimated 41m ounces in 1982 from 40.78m in 1981 while silver production eased to 364m ounces from 366.1m in 1981, the U.S. Bureau of Mines said.

Copper fall cancels Monday gains

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES dropped sharply on the London Metal Exchange yesterday, losing virtually all of Monday's gains. The decline followed a fall in the New York copper market overnight, triggered off by the easier trend in gold and other precious metals. The cash price for high grade copper closed £18.75 lower at £1,003.75 a tonne.

In the U.S., Asarco, which raised its domestic selling price for copper twice on Monday, yesterday cut it back by 1 cent to 78.50 cents a pound.

London traders said the market remained highly nervous and uncertain, with speculators selling to take their profits after the recent price surge. It is believed some large "long" positions built up may now be liquidated.

Much depends, however, on the performance of gold. Yesterday, the bullion spot price for gold lost $8.50 to close at $486 an ounce.

The high-flying free market platinum price suffered a setback too.

The dollar quotation fell by $15.50 to $463.75 an ounce, and the sterling equivalent was cut by £7.5 to £294.05.

Johnson resigns from futures commission

BY NANCY DUNNE IN WASHINGTON

MR PHILIP JOHNSON, the 43-year-old commodities attorney, who as chairman just finished shepherding the Commodity Futures Trading Commission (CFTC) through a year-long congressional re-authorisation drive, has announced his resignation.

Mr Johnson is expected to return to private practice in Chicago, having achieved his goals for the CFTC. He came to the much-criticised commission 18 months ago, at a time when the outlook for its re-authorisation was uncertain. There was talk of merging it with the Securities and Exchange Commission, which was perceived as the stronger regulator.

During Mr Johnson's tenure, the commission cleared away many issues which had been delayed by disputing commissioners.

It approved 39 new contracts, more than it had in the previous six years of the CFTC's existence. It oversaw the beginnings of a regulated futures options programme, the introduction of stock index contracts and the passage of an industry-wide self-regulatory body.

Mr Johnson cut through the regulatory confusion surrounding options and financial futures by negotiating a pact with Mr John Shad, chairman of the SEC, which settled most of the questions surrounding the commission's jurisdiction. The pact won approval with slight changes in Congress, which last year voted overwhelmingly to reauthorise the CFTC.

PRICE CHANGES

In tonnes unless stated otherwise	Jan. 18 1983	+ or —	Month ago
Metals			
Aluminium	$810/815	......	£816/815
Free Mkt.	$1075/1105	—15	$975/1005
Copper			
Cash h grade	£1003.75	—18.75	£906.5
3 mths	£1034.75	—20	£930
Cash Cathode	£969.25	—15.25	£856.5
3 mths	£999.5	—16.5	£894.25
Gold troy oz	$486	—8.5	$442.5
Lead Cash	£300.75	—2.75	£279.98
3 mths	£312.75	—2.75	£290.375
Nickel	£4384	......	£4133.5
Free mkt	175/205c	—5	180/198c
Platin'm tr'y oz	£294	......	£260
Freemkt	£294.05	—7.45	£289.30
Quicksilver†	$340/350	......	$350/380
Silver troy oz	804.20p	—12.20	650.35p
3 mths	825.75p	—15.15	667.35p
Tin Cash	£7622.5	+32.5	£7441
3 mths	£7603.5	+15	£7437.5
Tungsten	$92.25	......	$102.80
Wolfrm 22.04 lb	$78/82	......	$78/82
Zinc Cash	£447	—5.5	£409
3 mths	£461.875	—6.875	£420.75
Producers	$800	......	$800

	Jan. 18 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$455z	+2.5	$440
Groundnut	‡	......	‡
Linseed Crude	£316	......	£308
Palm Malayan	$385w	+2.5	$375
Seeds			
Copra Philip	$305x	......	$285/300
Soyabean (U.S.)	$242	—1.75	$237.75
Grains			
Barley Fut. Mar	£115.75	+0.25	£114.25
Maize	£146.00	—1	£144.50
Wheat Fut. Mar	£123.10	+0.15	£120.30
No. 2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1246.5	—3	£1090
Future May	£1214.5	—5	£1049.5
Coffee Ft' Mar	£1651	+10	£1597
Cotton A Index	72.05c	+0.10	70.20c
Gas Oil Feb	$272.25	—1.25	$275.5
Rubber (kilo)	54.00p	—0.75	49.75p
Sugar (Raw)	$99xw	+5	£101
Woolt'ps 64s kl.	385p kilo	......	372pkilo

‡ Unquoted. w March. y Feb. x Jan-Feb. z Feb-March. † Per 76-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	30.60-31.00	+0.18
Iranian Light	29.00-29.50	—0.55
Arabian Heavy	28.90-29.00	+0.10
North Sea (Forties)	30.60-31.00	+0.05
African (Bonny L'ht)	31.85-32.00	+0.10
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	295-298	—0.5
Gas oil	272-281	—1.5
Heavy fuel oil	163-166	—

GAS OIL FUTURES

The market opened around $1.00 higher and remained steady throughout the morning with light technical buying appearing. Later, prices fell back to reflect a lack of strength on the physical market and falling prices in New York.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Jan.	279.00	—1.00	281.75-79.00
Feb.	272.25	—1.25	274.75-72.00
March	265.75	—0.75	268.00-65.25
April	260.75	—0.75	262.25-60.00
May	257.75	+0.25	259.50-57.75
June	257.25	—0.75	258.50-58.75
July	258.75	+2.25	259.00-58.00
Aug	261.50	+6.50	—
Sept	260.75	+0.75	261.00-60.75

Turnover: 1,299 (1,735) lots of 100 tonnes.

GOLD MARKETS

Gold fell $8¼ to $485½-486½ in London bullion market yesterday. It opened at $489½-490½, and was fixed at $487 in the morning and $485 in the afternoon. The metal touched a low of $482½-483½, and a peak of $492-493.

In Paris the 12½ kilo gold bar was fixed at FFr 106,000 per kilo ($486.52 per ounce) in the afternoon, compared with FFr 106,000 ($487.76) in the morning, and FFr 106,000 ($493.33) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 37,480 per kilo ($488.02 per ounce), against DM 37,480 ($494.50) previously, and closed at $483½-484½, compared with $498-499.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $490.75 per ounce, against $490.25.

In Zurich gold finished at $482-$485, compared with $498-501.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
January	485.00-86.0	—9.90	—
February	487.00-87.5	—10.30	493.90-85.5
March	490.20-91.0	—9.40	—
April	494.70-95.0	—10.05	501.10-49.1
May	497.00-98.0	—9.75	—
June	501.70-02.0	—9.90	—
July	504.60-06.5	—9.55	—

Turnover: 1,286 (1,810) lots of 100 troy ounces.

	Jan. 18		Jan. 17	
Gold Bullion (fine ounce)				
Close	$485½-486½	(£307¾-308½)	$494-495	(£311¼-312)
Opening	$489½-490½	(£308¼-309)	$488-489	(£307-307¾)
Morning fixing	$487	(£308.228)	$494.50	(£311.261)
Afternoon fixing	$485	(£307.741)	$498.50	(£313.286)

Gold Coins Jan. 18					
Krugrnd	$500½-501½	(£317½-318)	King Sov	$117¼-118¼	(£74½-75¼)
½ Krug	$257¼-258¾	(£163½-164)	Victoria Sov	$117¼-118¼	(£74½-75¼)
¼ Krug	$131¼-132¼	(£83¼-83¾)	French 20s	$104-105½	(£66-67)
1/10 Krug	$53½-54½	(£34-34½)	50 pesos Mex	$585-585	(£370-371)
Mapleleaf	$499-500½	(£316½-317½)	100 Cor. Aust	$474-478	(£300¾-303¼)
New Sov	$114¾-115½	(£72¾-73¼)	$20 Eagles	$560-570	(£355¼-361½)
½ New Sov	$66½-68½	(£42¼-43½)			

EURO. MARKETS

ROTTERDAM, Jan 18.

Wheat—(U.S. $ per tonne): U.S. No Two Red Winter Jan 158, Feb 159, Mar 160, April 161. U.S. No Three Amber Durum Spot 184. April/May 171, June 172, July 174, Aug 176. U.S. No Two Northern Spring 14 per cent: Jan 185, Feb 186.25, Mar 187. April/May 170.50, June 171, July 173. Canadian Western Red Spring April/May 194.

Maize—(U.S. $ per tonne): U.S. No Three Yellow afloat 120, Jan 120, Feb 119, Mar 120, April/June 122.50, July/Sept 125.50, Oct-Dec 127.50 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Jan 238, Feb 237.25, Mar 238.75, April 241.75, May 244, June 246, July 248, Aug 248.50, Sept 248.50, Oct 243.40, Nov 243.40, Dec 248, Jan 1984 252.50 sellers. Argentine June 243.55, July 243.55 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent Jan 215, Jan/Mar 216, traded afloat 216, Jan 215, Feb/Mar 217.50, Jan/Mar 216.50, April/Sept 219, Nov/Mar 226 sellers. Pellets Brazil afloat 234, Jan/Mar 234, April/Sept 227.50 sellers.

★

PARIS, Jan 18.

Cocoa—(FFr per 100 kilos): Mar 1300-1308, May 1322-1328, July 1340 bid, Sept 1350-1390, Dec 1376-1395, Mar 1405-1425, May 1435-1450. Sales at call: 2.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
HighGrde	£	£	£	£
Cash	999-1000	—25	1003-4	—18.7
3 months	1030-.5	—26.2	1034.5-5	—20
Settlem't	1000	—25	—	......
Cathodes				
Cash	962.5-3.5	—25	969-.5	—15.2
3 months	993-.5	—25.2	999-1000	—16.2
Settlem't	963.5	—24.5	—	......
U.S. Prod.	—	—	*74-74	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1030, 31, 32, 33, 32, 31, 31.50, 32, 33, 34, 33, 33.50, 33, 32.50, 32, 31.50, 31, 30.50. Cathodes: Three months £993, 93.50. Kerb: Higher grade: Three months £1032, 31, 32, 33, 34. Afternoon: Higher grade: Cash £999, three months £1031, 30, 29.50, 29, 29.50, 33, 33.50, 34, 34.50, 35. Cathodes: Three months £999. Kerb: Higher grade: Three months £1034, 33, 34, 35, 35.50, 35, 34, 35. Turnover 34,500 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	7605-10	+46.5	7620-5	+35
3 months	7595-610	+27.5	7605-10	+20
Settlem't	7610	+48	—	......
Standard				
Cash	7605-10	+46.5	7620-5	+32.5
3 months	7590-5	+17.5	7600-5	+15
Settlem't	7610	+48	—	......
Straits E.	$29.15	......	—	......
NewYork				

Tin—Morning: Standard: Cash £7605, three months £7595, 7600, 7595. Kerb: Standard: Three months £7595, 90. Afternoon: Standard: Three months £7595, 7600. Higher Grade: Three months £7605, 10. Kerb: Standard: Three months £7610, 15, 10, 20, 25, 30, 25. Turnover 3,115 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	301.5-2.5	—5.25	300.5-1	—2.75
3 months	315.5-4	—6.5	312.5-3	—2.75
Settlem't	302.5	—5	—	......
U.S. Spot	—	......	*21-28	......

Lead—Morning: Cash £301.50, three months £313, 14, 14.50, 15, 13, 13.50, 13.25, 13.50. Kerb: Three months £314, 15. Afternoon: Cash £301, three months £314.50, 14, 13.50, 13. Kerb: Three months £313, 13.50, 14, 15, 15.50, 16. Turnover 11,800 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	446.5-7.5	—10.2	446.5-7.5	—5.5
3 months	461.5-2.5	—11.2	461.75-2	—6.87
Settlem't	447.5	—1.0	—	......
Primw'ts	—	......	*38.75-40.7	......

Zinc—Morning: Three months £463, 63.50, 64, 63.50, 63, 62. Kerb: Three months £463, 63.50. Afternoon: Three months £462, 61.50, 61.75. Kerb: Three months £462.50, 63, 63.50, 64, 65, 66, 67. Turnover 11,700 tonnes.

ALUMINIUM

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NICKEL

[illegible]

SILVER

[illegible]

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	804.20p	—12.2	801.00p	—17.7
3 months	825.75p	—15.1	825.25p	—15.5
6 months	845.25p	—14.4	—	......
12 months	888.45p	—14.7	—	......

Silver was fixed 12.2p an ounce lower for spot delivery in the London bullion market yesterday at 804.2p. U.S. equivalents of the fixing levels were: spot $12.69, down 28.3c; three-month $12.961, down 30.2c; six-month $13.218, down 32.2c; and 12-month $13.793, down 33.3c. The metal opened at 803-805p ($12.76-$12.80) and closed at 801-803p ($12.64-$12.68).

COCOA

Values traded erratically throughout the day in nervous conditions, activity was concentrated on terminal with physicals generally dull. Origins made only light sales reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1206-07	—3.0	1219-94
May	1214-15	—5.0	1226-04
July	1228-29	—2.0	1238-18
Sept	1240-41	—1.0	1246-29
Dec	1259-60	—3.5	1267-53
March	1278-80	—3.0	1285-74
May	1292-95	—4.0	—

Sales: 6,342 (5,936) lots of 10 tonnes.

ICCO—Daily price for Jan 18: 82.79 (83.69). Indicator price for Jan 19: 81.51 (80.77).

COFFEE

During a quiet session prices fluctuated within a narrow range in light volume reports Drexel Burnham Lambert. Gains of £8.00 to £10.00 failed to encourage any follow through buying which gradually led to a retreat in values until a steady closing call restored earlier higher levels.

COFFEE	Yest'day's Close	+ or —	Business Done
January	1808-10	—10.5	1825-10
March	1630-32	+10.0	1634-16
May	1544-45	+8.0	1548-27
July	1468-69	+5.0	1468-54
Sept.	1407-08	+13.5	1407-81
Nov.	1350-60	+17.0	1350-38
January	1315-45	+25.0	1318-15

Sales: 3,285 (2,767) lots of 5 tonnes.

ICO Indicator price for Jan 17 (U.S. cents per pound): Comp. daily 1979 127.20 (126.94); 15-day average 129.10 (129.34).

GRAINS

The market opened firmer but hedge selling and profit-taking eased the market back as ex-farm sales increased slightly. Exporter buying returned at 35-40p down on wheat and forced the market back to near the highs of the am session. Barley was quieter again but also made small gains. New crops were also steady from commercial buying for wheat to gain 25-30p, reports Acli.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yest'rd'ys close	+ or —
Jan	122.25	+1.00	114.80	+0.05
Mar	123.10	+0.15	115.85	+0.25
May	125.00	+0.10	117.70	—0.06
July	127.05	+0.10	—	—
Sep	114.70	+0.30	108.65	+0.15
Nov	117.65	+0.25	111.65	—

[illegible]

POTATOES

[illegible]

Month	Yesterd'y close	Previous close	Business Done
	£ per tonne		
Feb	68.40	68.30	8.800-68.00
April	84.40	85.00	85.90-84.50
May	87.40	88.00	88.20-87.40
Nov	67.30	67.50	—
Feb	76.50	76.50	—

Turnover 334 (374) lots of 40 tonnes.

RUBBER

The London physical market opened easier, was quiet throughout the day and closed steady. Lewis and Peat reported a February fob price for No 1 RSS in Kuala Lumpur of 188.50 (190.00) cents a kg and SMR 20 171.5 (173.0).

No. 1 R.S.S.	Yesterdys close	Previous close	Business Done
	£ per ton		
Feb	548-551	553-562	550
Mar	554-556	560-568	556
Apl-Jne	563-564	566-568	567-560
Jly-Sept	585-587	589-590	589-581
Oct-Dec	603-604	608-610	605-602
JanMch	622-624	627-628	—
Apl-Jne	643-645	647-648	—
Jly-Sept	656-668	669-670	670-667
Oct-Dec	687-690	690-693	—

Sales: 168 (315) lots of 15 tonnes, 2 (6) of 5 tonnes.

Physical closing prices (buyer) were spot 54.00p (54.75p): Feb 56.00p (same); March 56.50 (same).

SOYABEAN MEAL

The market opened around unchanged and eased under commission house selling reports T. G. Roddick.

	Yesterdy's Close	+ or —	Business Done
	£ per tonne		
Feb	144.50-45.5	—1.00	146.80-45.50

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

... more extensive scale, and dealings were reported in a wide range of qualities. Russian and Turkish styles attracted most attention, with additional purchases in African growths.

MEAT/FISH

Litchees—South African, per pound 1.00. Fennel—Italian: 20 lb 4.00-4.50. Sugar Peas—Moroccan: 7 lb 7.00. Tomatoes—Spanish: 6 kg 3.00-4.00; Canary: 4.00-5.20. Lettuce—Dutch: 12s 3.00, 24s 3.40-4.20. Celery—Spanish: 5.50-6.00; Italian: 5.50-6.50. Calabrese—Italian: Tray 5 kg 4.50-5.00. Artichokes—Egyptian: 24s 8.00; Cypriot: 10s 4.00. Aubergines—Canary: 6 kg 4.50-5.50. Onions—Spanish: Grano 5.80-6.20; Polish: 2.60. Capsicums—Canary: Green 5.50-6.50, Red 7.00-7.50; Israeli: Red 7.50. Cabbages—Dutch: Red 3.00-3.20, White 2.60-2.80. Courgettes—Kenyan: 6 lb 4.40-4.50; Spanish: 11 lb 5.50. Cucumbers—Canary: 5.00-5.40. Chicory—Belgian: 5 lb 2.00-2.20. Potatoes—Jersey: Per pound new 0.80; Italian: 20 lb 3.00-3.20; Canary: 25 kg mids 10.00, ware 7.70; Cypriot: 44 lb bag 5.00-5.20, 27½ lb boxes 5.20-5.50. Cauliflowers—French: 24s 4.50-5.00. Dates—Tunisian: 30 x 8 oz 0.45-0.52. Fresh Dates—Israeli: 11 lb 6.20.

[illegible]

INDICES

FINANCIAL TIMES

Jan. 17	Jan. 14	M'th ago	Y'ar ago
250.00	248.78	234.48	248.61

(Base: July 1 1952 = 100)

REUTERS

Jan. 18	Jan. 17	M'th ago	Y'ar ago
1620.6	1624.9	1573.4	1623.1

(Base: September 18 1931 = 100)

MOODY'S

[illegible]

DOW JONES

[illegible]

AMERICAN MARKETS

Gold and Silver traded sharply higher in the session after a major early sell-off. The rally was prompted by massive short covering on unconfirmed rumours of a major banks failure. Copper came under early selling pressure from commission house profit taking, arbitrage selling and evening up by the trade ahead of the housing report. Cotton prices recovered on the strength in Precious Metals after a fairly inactive session. Heating Oil prices tested the upper end of its recent trading range but ran into trade selling and finished with moderate net losses. Even news of further damage to refinery layouts inflicted by Iraqi forces could not generate support origin selling and pressure from arbitrage sales resulted in Cocoa prices closing moderately lower. Coffee prices finished sharply lower as commission house selling and technical scale-down selling dominated the market. Profit taking and arbitrage selling in sugar provided too much pressure on prices. Soyabeans and wheat rallied late in the day on local and commercial buying, while Maize remained under slight pressure due to heavy cash marketings. Reported by Heinold Commodities.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	1732	1748	1690	1758
May	1775	1785	1732	1796
July	1800	1805	1770	1820
Sept	1815	1815	1785	1845
Dec	1860	1860	1825	1871
March	1890	1865	1855	1906

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	127.11	129.25	127.00	129.48

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	6.31	6.46	6.28	6.46
May	6.79	8.80	6.72	6.90
July	7.13	7.19	7.05	7.24
Sept	7.45	7.51	7.35	7.58
Oct	7.70	7.78	7.63	7.81
March	8.68	8.78	8.65	8.82
May	8.96	9.04	8.91	9.09

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

[illegible]

Wall St closes lower

WALL STREET stock prices closed lower in moderately heavy trading as investors reacted to poorer corporate earnings reports and awaited an expected lowering of the Federal Reserve's discount rate.

The Dow Jones Industrial Average ended the day off 5.16 points at 1,079.65. There were about 860 issues that lost ground and 745 that gained. Volume was about 78m shares compared with 89m on Monday.

* * *

AT MIDSESSION, the average was off 8.10 points at 1,076.71; the New York Stock Exchange all-common index was off 50 cents at $84.29.

Fourth-quarter earnings reported so far have given investors little encouragement as to the nation's economic condition.

Harvey Deutsch, an analyst with Purcell Graham, said Oil issues are also being hurt by uncertainty surrounding Opec's meeting later this week, at which the oil cartel is expected to discuss possible pricing and production moves.

ATT, strong in recent sessions, was off ⅛ to $68⅞. **IBM**, another leader in the market's recent rise, was unchanged at $99⅛. Both remained active.

General Motors, Ford and **Chrysler** were all lower on published reports that car manufacturers will have operating losses in the fourth quarter.

Honeywell, which reported lower fourth quarter profits, fell $3 to $93. **American Express**, which is to acquire a group of foreign banks for $550m, shed ⅞ to $65⅞.

Manufacturers Hanover lost ⅞ to $42 and **Citicorp** ⅞ to $33⅞. Both reported lower operating profits in the fourth quarter.

THE AMERICAN SE Market Value Index was down 0.96 at 369.73 at 1 pm. Volume 5.81m shares (7.17m).

Canada

The recently very buoyant Golds sector led Canadian markets mainly lower yesterday. The Toronto Composite Index lost 8.2 at 2,073.2 by noon, with falls ahead of rises on the Exchange by 323 to 159 after substantial volume of 5.24m shares. Metals and Minerals shed 22.2 to 2,042.7 and Oil and Gas 4.3 to 2,971.5.

Tokyo

Blue Chips took the brunt of a sharp retreat on the Tokyo market yesterday, with investors taking further profits amid persisting worries over the high level of margin buying positions. Foreign buyers were said to be holding the sidelines.

However, some bargain hunting during the afternoon brought a partial recovery. The Nikkei-Dow Jones Average at one point in the morning was more than 100 points down, taking it below the 8,000 mark for the first time since December 27. By the close, it had rallied to 8,028.28 for a net fall of 54.45.

The Tokyo SE index lost 4.94 at 588.32, while volume further contracted to 330m shares from the previous day's 380m.

Speculation that the Bank of Japan is apparently planning to delay a cut in the Official Discount Rate because of the faltering yen, and possibilities of a flare-up of trade tension, were additional depressants for the market.

Mr Nakasone, the Japanese Prime Minister is now in Washington to confer with President Reagan on trade and other issues. But political observers here have expressed concern about an outbreak of fresh trade friction because of news that the U.S. is not satisfied with the latest Japanese package of market-opening measures.

Shipbuilding stocks receded in the face of news that export orders to Japanese shipbuilders fell 50 per cent in 1982 from the previous year. **Mitsubishi Heavy** shed Y5 to Y247.

Reflecting concern over mounting margin debt, the Heavy Electricals sector had **Hitachi** down Y18 at Y804, **Toshiba** off Y7 at Y348 and **Mitsubishi Electric** Y9 lower at Y386.

Light Electricals were again led lower by **TDK Electronics**, Y120 weaker at Y4,260, still reflecting speculation that the company will report profits next week below earlier expectations. Sony remained a firm exception, adding Y20 at Y3,420, supported by news that it is planning to boost production of compact disc players this month due to strong demand.

Germany

A widespread retreat in share prices took place as Bond prices continued to recede on second thoughts about possible domestic credit rate cuts. Brokers blamed the situation on domestic political uncertainty ahead of the General Election, to be held in March, and the sudden weakness of the D-mark on foreign exchange markets. The Commerzbank index dipped 8.9 to 739.2.

Engineerings provided one of the weakest sectors, with **Deutsche Babcock** losing DM 5 to DM 137, **Linde** DM 3.50 to DM 303.50 and **Mannesmann** DM 3.10 to DM 140.

Banks had **Dresdner** falling DM 3.60 to DM 134.50. **Deutsche** DM 3.70 to DM 263.10 and **Commerzbank** DM 2.10 to DM 128.20.

Public Authority Bonds registered fresh declines extending to 40 pfennigs but some gains of up to 20 pfennigs. The Bundesbank bought DM 36.3m of stock (DM 71.9m).

Australia

Markets were broadly higher yesterday in renewed heavy trading centred on Gold stocks and Heavyweight Miners.

Turnover on the Sydney Exchange totalled 20.10m shares worth A$18.74m, almost two-thirds of which was in Mining issues.

Investors responded to the bullish trend of the international gold price and further gains in world base metal values.

Among Gold stocks, **GMK** advanced 60 cents to A$11.30, **Central Norseman** 50 cents to A$9.50, **Peko-Wallsend** 22 cents to A$6.80, **Poseidon** 20 cents to A$6.40 and **Emperor** 16 cents to A$2.15.

Elsewhere in the Minings sector, **CRA** rose 17 cents to A$4.07, **Bougainville Copper** 14 cents to A$2.34, **Western Mining** 13 cents to A$4.23, and **MIM** 9 cents to A$4.25.

BHP put on 10 cents to A$7.38, but **CSR**, which on Monday announced that it had raised A$45m through the placement of 15m Ordinary shares at A$3.00 each, declined 6 cents to A$3.19.

Hong Kong

With the institutions and overseas buyers providing fresh support, markets easily absorbed further profit-taking by cautious local small investors, leaving most issues pointing higher at the close.

The Hang Seng Index gained some 12 points more in the first hour but had slipped back to show a seven-point gain at midsession. However, active fresh buying during the afternoon took the index ahead to 889.91 for a day's rise of 15.42. Overall turnover on the four exchanges was moderate, but showed an expansion to HK$260.62m from Monday's HK$198.31m.

Continuing to encourage the market were expectations of lower U.S. interest rates, which would help send local rates down.

Shares in the Banking and Trading sectors attracted the most buying attention.

Paris

Prices were mixed in quiet trading, with announcements of a fall in French unemployment in December and of a 2 per cent decrease in bankruptcies last year having little influence on the market.

Johannesburg

Gold shares closed mostly easier on the downturn in the Bullion price, although a few counters held firm on speculative demand. Trading remained active. Heavyweight losses ranged to 200 cents, as in President Steyn, at R74, but Harties gained R1 at R107.

Indices

NEW YORK-DOW JONES

	Jan 18	Jan 17	Jan 14	Jan 13	Jan 12	Jan 11	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1079.65	1084.81	1088.85	1073.95	1083.61	1083.79	1092.35 (10/1/83)	776.92 (12/8/82)	1092.35 (10/1/83)	41.22 (2/7/32)
Transport	466.99	469.27	467.68	468.15	475.14	471.01	471.01 (11/1/83)	292.12 (12/8/82)	471.01 (11/1/83)	12.23 (8/7/32)
Utilities	124.4	124.58	124.63	124.68	124.58	124.35	124.68 (13/1/83)	103.22 (29/7/82)	163.32 (20/4/69)	10.05 (28/4/42)
Trading vol 1000's†	7838	8921	8648	7703	10985	9825	-	-	-	-

	Jan 14	Jan 7	Dec 31	(Year Ago Approx)
Ind div yield %	5.01	5.03	5.17	6.52

STANDARD AND POORS

	Jan 18	Jan 17	Jan 14	Jan 13	Jan 12	Jan 11	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	164.5	164.73	164.61	163.43	164.52	163.47	164.73 (17/1/83)	114.08 (12/8/82)	164.73 (17/1/83)	3.52 (30/6/32)
Composite	146.4	146.71	146.85	145.73	146.69	145.78	146.78 (10/1/83)	102.42 (12/8/82)	146.78 (10/1/83)	4.4 (1/6/32)

	Jan 12	Jan 5	Dec 29	Year Ago (Approx)
Ind div yield %	4.35	4.50	4.52	5.78
Ind. P/E Ratio	11.30	10.84	10.90	7.75
Long Gov Bond Yield	10.41	10.43	10.44	14.28

N.Y.S.E. ALL COMMON

Jan 18	Jan 17	Jan 14	Jan 13	1982-83 High	1982-83 Low
84.83	84.79	84.87	84.16	84.79 (17/1/83)	58.8 (12/8/82)

RISES AND FALLS

	Jan 18	Jan 17	Jan 14
Issues traded	1974	1974	1956
Rises	747	960	991
Falls	859	857	584
Unchanged	368	357	381

MONTREAL

	Jan 18	Jan 17	Jan 14	Jan 13	1982-83 High	1982-83 Low
Industrials	358.71	358.28	358.17	357.82	366.63 (10/1/83)	249.69 (21/6/82)
Combined	342.34	342.2	342.82	341.51	349.95 (10/1/83)	237.27 (21/6/82)
TORONTO Composite	2077.5	2081.4	2073.2	2063.8	2118.8 (10/1/83)	1355.7 (21/6/82)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

New York Active Stocks

Tuesday	Stocks Traded	3.00 p.m. Price	Change on Day		Stocks Traded	3.00 p.m. Price	Change on Day
ATT	1,384,800	69⅛	+⅝	Southern	531,300	15⅛	−⅛
Exxon	881,800	30⅝	+⅛	Aetna Life	409,400	36⅝	−1⅛
IBM	840,300	100⅛	+⅞	Na Ind Ps	478,300	13¾	-
Rowan	797,000	12⅝	−½	ADV Micro	464,400	36	+2⅝
East Kodak	535,800	83½	+2⅛	Amer El Pw	461,500	18½	+⅛

World Indices

	Jan. 18	Jan. 17	Jan. 14	Jan. 13	1982-83 High	1982-83 Low
AUSTRALIA All Ord. (1/1/80)	540.4	535.1	528.8	530.9	595.5 (4/1/82)	442.2 (8/7)
AUSTRALIA Metal & Minls. (1/1/80)	462.4	457.4	463.9	462.7	462.4 (18/1/83)	299.0 (8/7)
AUSTRIA Credit Aktien (2/1/62)	49.46	49.64	49.92	50.11	56.98 (4/11)	47.55 (28/10)
BELGIUM Belgian SE (31/12/63)	105.98	105.46	103.16	102.11	105.98 (18/1/83)	95.42 (29/1/82)
DENMARK Copenhagen SE (3/1/83)	103.10	102.76	102.96	102.98	104.38 (7/1/83)	100.00 (3/1/83)
FRANCE CAC General (31/12/81)	102.5	102.8	102.80	102.1	111.6 (12/5)	95.9 (12/8)
FRANCE Ind Tendance (31/12/82)	104.5	104.8	104.9	105.2	106.2 (13/1/83)	99.9 (3/1/83)
GERMANY FAZ-Aktien (31/12/58)	246.47	248.51	247.63	247.56	257.56 (5/1/83)	214.98 (17/8)
GERMANY Commerzbank (Dec 1953)	739.2	748.1	745.6	745.9	777.9 (5/1/83)	659.2 (17/8)
HOLLAND ANP-CBS General (1970)	104.6	106.0	106.2	107.3	107.8 (11/1/83)	84.0 (6/1/82)
HOLLAND ANP CBS Indust (1970)	89.1	90.8	91.8	92.2	93.4 (11/1/83)	65.2 (4/1/82)
HONG KONG Hang Seng Bank (31/7/64)	889.91	874.49	866.34	878.52	1445.32 (12/1/82)	676.30 (2/12)
ITALY Banca Comm Ital. (1972)	174.37	171.61	168.90	168.87	212.88 (19/3)	147.23 (22/7)
JAPAN** Dow Average (16/5/49)	8028.28	8082.73	8088.53	8089.08	8210.02 (8/1/83)	6849.78 (1/10)
JAPAN** Tokyo New SE (4/1/68)	588.32	593.26	592.86	592.85	602.17 (8/1/83)	511.52 (17/8)
NORWAY Oslo SE (4/1/83)	119.30	118.95	115.96	114.67	119.35 (17/1/83)	98.81 4/1/83
SINGAPORE Straits Times (1966)	761.56	760.66	757.79	749.41	810.76 (8/1/82)	567.67 (18/8)
SOUTH AFRICA Gold (1958)	(u)	1075.5	1042.6	1052.0	1075.5 (17/1/83)	385.5 (8/7)
SOUTH AFRICA Industrial (1958)	(u)	806.3	798.5	793.2	806.3 (17/1/83)	587.5 (29/6)
SPAIN Madrid SE (31/12/82)	100.28	(c)	99.42	98.76	100.28 (18/1/83)	98.52 (11/1/83)
SWEDEN Jacobson & P. (1/1/58)	1012.88	1012.37	990.6	974.93	1012.37 (17/1/83)	565.52 (20/4)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	295.4	296.2	296.9	297.5	301.7 (7/1/83)	237.9 (17/8)
WORLD Capital Intl. (1/1/70)	—	161.4	160.7	160.2	162.8 (10/1/83)	118.4 (13/8)

(**) Saturday January 15: Japan Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK

Stock	Jan 18	Vars.
[illegible]		

CANADA

Stock (Closing Prices)	Jan 18	Vars.
AMCA Int.	22¼	−⅜
Abitibi	20½	−⅛
Agnico Eagle	18¾	−¼
Alberta Energy	15¼	−⅛
Alcan Alumin	35½	−⅜
Algoma Steel	27¾	-
Asbestos	18½	-

DENMARK

Jan. 18	Price %	+ or −
Aarhus Olie	340	+0.4
Andelsbanken	160	−4.4
Baltica Skand.	322	−4
CopHandelsbank	193.6	−1.4
D. Sukkerfab.	414.4	+0.4
Danske Bank	199.6	−4.8
East Asiatic	93.4	−1.8

HOLLAND (continued)

Jan. 18	Price Frs.	+ or −
Gist.-Brocades	129	−1.8
Heineken	107.9	−1.3
Hoogovens	15.1	−0.4
HunterDouglas	12.3	−0.3
Int Muller	18.5	−0.8
KLM	147.5	−6.3
Naarden	26.9	−0.6
Nat Ned cert	125.7	−1.6

AUSTRALIA

Jan. 18	Price Aust. $	+ or −
ANZ Group	3.66	
Acrow Aust	1.25	
A.O.D.	0.85	+0.01
Ampol Pet	1.45	
Assoc. Pulp Pap	1.86	
Aust. Cons. Ind.	1.25	+0.02
Aust. Guarant	2.20	
Aust. Nat. Inds.	2.50	+0.05
Aust. Paper	1.92	

JAPAN (continued)

Jan. 18	Price Yen	+ or −
Konishiroku	627	−3
Kubota	335	−3
Kumagia	392	−8
Kyoto Ceramic	4,160	−90
Maeda Const	525	−2
Makino Milling	795	
Makita	798	+1
Marubeni	390	−2
Marudai	590	−10

LONDON STOCK EXCHANGE

MARKET REPORT

Gilt-edged turn easier and leading shares follow

Exchange rate uncertainties revive

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 31	Jan 13	Jan 14	Jan 24
Jan. 17	Jan. 27	Jan. 28	Feb. 7
Jan 31	Feb 17	Feb 18	Feb 28

* "New-time" dealings may take place from 9.30 am two business days earlier.

London stock markets remained dominated by the course of sterling and yesterday's fall in the exchange rate against the U.S. dollar prompted a marked turnround in sentiment. Conditions were much calmer than obtained in last week's slide in the pound, but Government stocks were quick to reflect the change in mood and blue chip shares followed suit as markets became increasingly uncertain.

The threat of an all-out strike by the water workers and growing apprehension pending the outcome of next Sunday's Opec meeting to agree output quotas also contributed to the weakened tone.

Against this backdrop, Government stocks lost the bulk of the previous day's gains which extended to 1¼ at the long end of the market, while short-dated issues reacted to close with losses ranging to ½ and occasionally more. Selling was relatively light, but nervous offerings found the market unwilling in the prevailing thin and sensitive trading conditions.

The reaction in leading equities also took place in a low volume of trade and closing losses were usually moderate. Measuring the tone, the FT 30-share index drifted lower to record a loss of 6.7 at the noon calculation and held around that level until a small after-hours' technical rally left it a shade above the worst with a net fall of 5 points to 614.8.

Of the sectors, Store shares, despite confirmation of buoyant sales figures in December, encountered selling on fears that the boom in consumer spending may have since petered out.

Elsewhere, some of the recent speculative issues came back quite sharply as professional operators liquidated their positions.

Insurances easier

South African gold mining shares also turned reactionary after the recent strong advance, but profit-taking was well absorbed and the Gold mines index, at an all-time peak on Monday, closed only 4.1 down at 656.3.

Sporadic bouts of scrappy selling left Life Insurances with falls ranging to 6. Lloyds Brokers also drifted lower.

Rugby Portland Cement met renewed selling in the wake of a recent "sell" recommendation and shed 4 to 100p. Other leading Building Materials also turned easier, Tarmac losing 8 to 430p and Blue Circle the same amount to 435p. Barratt Developments, having rallied strongly over the last couple of trading sessions, reacted to 460p on profit-taking before closing a net 4 off at 468p. George Wimpey attracted a useful two-way business and touched 136p before reverting to the overnight level of 132p. Elsewhere, SGB shed 14 for a two-day drop of 36 to 194p on disappointment with the annual results, but Countryside touched 174p before closing a couple of pence dearer on balance at 170p following the increased preliminary profits and the board's confident statement. After Monday's gain of 16 awaiting the interim results, Trent Holdings reacted to 106p on the announcement before rallying to close unchanged on balance at 114p. John Carr (Doncaster) firmed 6 to 156p following the chairman's encouraging statement at the annual meeting, while McCarthy and Stone advanced 20 to 480p in a thin market on the chairman's cheerful statement in the annual report.

ICI, a strong performer recently on talk that profits had been upgraded, encountered profit-taking and reacted to 368p before settling a net 8 off at 370p. Recently-dull Allied Colloids attracted revived support and put on 8 to 290p, while Hickson and Welch improved 7 to 312p. Novo Industries "B" rose 4½ points more to £158.

Mellins react

Leading Retailers, a buoyant sector recently on reports of record pre-Christmas business and a highly successful sales season—a view confirmed by the latest set of provisional retail sales figures—encountered scattered profit-taking reflecting fears that dearer money will adversely affect future consumer spending. Burton, which stated its interest in UDS's Richard Shops chain at yesterday's annual meeting, gave up 8 to 315p; UDS eased a couple of pence to 104p awaiting the offer document from the Bassishaw consortium. W. H. Smith "A," 238p, Gussies "A," 558p, and Marks and Spencer, 201p, all shed around 10, while Debenhams gave up 4 to 94p.

Press comment suggesting that a major deal was in the pipeline prompted fresh support of Mellins which advanced to 168p; an announcement from the company defusing the situation resulted in late weakness in the shares which reacted to close a net 6 cheaper at 152p. Electrical and discount retailers came under renewed pressure and Comet retreated 12 to 245p. Harris Queensway eased 6 to 298p, while MFI, interim results scheduled for tomorrow, dipped 8 to 139p. In contrast, Lincroft Kilgour spurted 10 to 40p following the doubled annual dividend which accompanied lower, but still better-than-expected profits. Courts Furnishers "A" rose 4 to 130p after revealing higher interim profits.

Conditions in Electricals became much quieter and the closing tone was mixed. Thorn EMI softened a couple of pence to 443p, after 440p, while Racal relinquished 5 to 547p; the latter's interim results, originally scheduled for yesterday, are to be revealed today. Elsewhere, Eurotherm put on 12 more to 577p ahead of tomorrow's annual results, while AB Electronic gained 14 to 529p and Oceonics advanced 40 to 760p. Recent speculative favourite Arlen encountered profit-taking and dropped to 153p before finishing a net 4 down at 164p. BSR came on offer and shed 3 to 58p, while Lec Refrigeration gave up 8 to 260p.

Engineerings plotted an irregular course in moderate trading. Westland declined 6 to 149p following the chairman's cautious annual statement, while Staveley drifted lower on small selling and lack of support to finish 8 down at 282p. Porter Chadburn, on the other hand, firmed 2 to 43p on the announcement that Mr E. L. Dilks has increased his holding in the company to just over 8 per cent. Associated Tooling gained 8 more to 98p. Brown and Tawse appreciated 4 to 82p, while Lake and Elliott improved 3 to 25p and Saville Gordon 2 to 46p. GKN eased 3 to 127p and Vickers 2½ to 106p among the quietly dull leaders.

Leading Foods drifted lower on lack of interest, J. Sainsbury losing 8 to 385p and Tesco 3 to 116p. S. and W. Berisford gave up 10 to 194p, after 191p, after comment on the annual results. Secondary issues displayed a firm feature in Albert Fisher which attracted revived support and put on 9 to 50p. Danish Bacon, however, shed that much, to 76p, on occasional selling in a thin market.

Bowater below best

Bowater became a fairly lively counter among the miscellaneous industrial leaders, touching 180p before closing a net 5 up at 175p on investment buying fuelled by recovery hopes. BOC, at 174p, retrieved half of the previous day's fall of 8 which followed the chairman's profits warning but Glaxo drifted ⅜ lower to £14½ and Beecham lost 5 at 347p. Elsewhere, Low and Bonar reflected satisfaction with the sale of a subsidiary and rose 10 to 82p, while Valor advanced 6 to 90p on the repurchase of a factory adjoining its Wood Lane plant in Birmingham. Awaiting news from the annual meeting, Stanelco added 6 to 46p, while Western Board Mills put on 5 to 183p in response to the increased first-half profits. Investment support was again forthcoming for London and Liverpool Trust and the close was a further 25 higher at 380p, while Christies International firmed 6 to 210p and Cole 8 to 168p. Restmor rose 6 to 114p on further consideration of the half-year figures. Bellair Cosmetics, however fell 3 to 17p, after 15p, on the increased annual deficit and Benlox dipped 2 more to 29p with sentiment still unsettled by adverse comment. Profit-taking after the recent upsurge left James Wilkes 27 off at 320p, after 305p. Gestetner A gave up 4 to 38p.

Sold down to 74p awaiting the preliminary results, Trident TV steadied on the slightly better-than-expected profits and the encouraging statement and closed unchanged on balance at 78p. Elsewhere in the Leisure sector, further publicity given to the sharp upturn in holiday bookings prompted useful demand for Horizon Travel, which put on 13 to 215p.

Motor Distributors succumbed to sporadic profit-taking. Jessups, firm recently following a couple of investment recommendations, gave up 2 to 47p, while Henlys shed 5 to 89p. Elsewhere, specialist coach builders Coleman Milne, dealt in the Unlisted Securities Market, improved 8 to 62p following a Press mention.

Still benefiting from the preliminary results and proposed restructuring Associated Newspapers firmed 5 more to 185p. Fleet Holdings attracted revived demand and rose 4 to a peak of 40p. Elsewhere, quality support lifted British Printing 7 to 100p, after 101p, but McCorquodale, up to 273p earlier, reacted to finish a net penny cheaper at 265p.

Properties held relatively steady before drifting off in late dealings to close with minor losses in places. British Land settled a fraction cheaper at 75½p awaiting today's half-year results. Elsewhere, Cussins Property gained 6 to 130p following a major property letting, while Mountleigh firmed 3 to 116p awaiting today's half-timer. Swire Properties put on 5½ to 601p on Far-Eastern advices.

Oils turned easier on increasing uncertainty surrounding next Sunday's OPEC meeting. British Petroleum shed 6 to 320p, while Shell gave up 10 to 434p. Ultramar, on the other hand, gained 5 for a two-day rise of 32 to 550p. Elsewhere, KCA International met revived support and put on 4 to 56p with KCA Drilling the same amount higher at 40p. Clyde Petroleum held at 82p: the company has a 13 per cent stake in the latest North Sea oil find.

Textiles provided a late feature in Scott and Robertson, which were marked 6½ higher at 39p following the proposed acquisition of Plasti-Covers.

Plantations featured Inch Kenneth which attracted a useful trade and advanced 33 to 323p reflecting Far-Eastern advices. Harrisons Malaysian closed 6 up at 100p.

Golds easier

The failure of the bullion price to move through $500 an ounce prompted sizeable profit-taking throughout mining markets.

Golds ran into profit-taking from the outset and tended to drift throughout the session although selling was by no means heavy. The Gold Mines index reflected the overall trend in Golds, losing 4.1 to 656.3. Bullion was finally $8.5 down at $486 an ounce.

Among the heavyweights, Randfontein ended a fraction easier at £87⅞ while the cheaper-priced issues showed Western Areas 5 off at 451p ahead of the sharply increased profits in the December quarter.

A number of the lower-priced issues continued to attract speculative buying interest, notably Cons Modderfontein, finally 25 stronger at a 1982-83 high of 371p, and Marievale, which put on 13 to a peak of 324p.

The leading South African Financials mirrored the trend in Golds but several second-line stocks continued to gain ground, especially Middle Wits, ⅜ higher at £11, and Transvaal Consolidated Land, a full point to the good at a 1982-83 high of £31.

Australians made rapid progress at the outset but met persistent profit-taking towards the close. Poseidon were finally 13 cheaper at 395p.

Western Mining edged up 2 to a 1982-83 high of 265p, again boosted by its substantial gold interests while Whim Creek rose 4 more to 89p.

Lower values in London equity prices boosted put premiums in Traded Options. Marks and Spencer January 220 puts rose 5 to 20p, while Shell Transport January 460's closed 10 higher at 28p. Total contracts struck yesterday amounted to 2,301-1,826 calls and 475 puts. British Petroleum continued to attract a reasonable two-way business and recorded 156 calls and 120 puts. Commercial Union remained relatively active with 264 calls transacted.

FINANCIAL TIMES STOCK INDICES

	Jan. 18	Jan 17	Jan. 14	Jan. 13	Jan. 12	Jan. 11	A year ago
Government Secs. ...	78.67	79.49	78.56	77.70	77.29	77.98	62.96
Fixed Interest.........	80.46	80.66	80.37	79.98	80.30	80.85	63.22
Industrial Ord..........	614.8	619.8	614.2	604.6	598.4	604.3	534.7
Gold Mines...............	656.3	660.4	654.5	650.4	634.0	654.0	266.8
Ord. Div. Yield..........	4.86	4.81	4.85	4.95	5.00	4.96	5.63
Earnings, Yld.% (full)	10.40	10.26	10.46	10.68	10.77	10.68	9.93
P/E Ratio (net) (*)......	11.56	11.72	11.47	11.24	11.14	11.24	12.66
Total bargains.	24,768	25,550	25,225	20,710	25,475	25,217	19,116
Equity turnover £m.	—	232.06	249.45	233.2	245.57	234.64	107.69
Equity bargains......	—	24,168	22,574	20,376	19,953	23,176	14,015
Shares traded (ml)...	—	166.8	160.9	147.0	153.3	144.8	86.98

10 am 619.7. 11 am 615.6. Noon 613.1. 1 pm 613.7.
2 pm 613.2. 3 pm 613.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.
Nil=10.73.

HIGHS AND LOWS

	1982/3 High	1982/3 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs...	85.84 (3/11)	61.88 (5/1/82)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int....	87.02 (12/11)	62.79 (7/1/82)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord......	637.4 (12/11)	518.1 (5/1/82)	637.4 (12/11/82)	49.4 (26/6/40)
Gold Mines..	660.4 (17/1/83)	181.2 (22/6)	660.4 (17/1/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 17	Jan. 14
—Daily		
Gilt Edged Bargains...	236.4	317.7
Equities Bargains...	156.6	146.5
Value	448.8	504.2
5-day Avrge.		
Gilt-Edged Bargains...	266.3	264.5
Equities Bargains...	142.9	142.9
Value......	479.0	467.3

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls April	Calls July	Puts Jan.	Puts April	Puts July
BP (USP 322)	280	44	52	—	1½	5	—
" "	300	24	34	46	1	13	18
" "	330	2	15	28	14	25	34
" "	360	¼	6	13	40	44	50
CGF (USP 544)	390	157	160	165	1	2	5
" "	420	127	130	135	1	3	6
" "	460	87	95	100	1½	6	11
" "	500	47	60	77	2	16	22
" "	550	12	35	52	20	40	50
CTD (USP 74)	70	5	9	12	1	4	6
" "	80	1	4½	7	7	8	12
" "	90	1	1½	—	17	18	—
" "	100	0½	—	—	—	—	—
CUA (USP 141)	120	22	26	29	1	4	7
" "	130	12	17	22	1	6	10
" "	140	4	11	15	4	12	17
" "	160	1	6	—	21	27	—
GEC (USP 204)	157	49	—	—	2	—	—
" "	167	39	—	—	2	—	—
" "	177	29	—	—	2	—	—
" "	187	19	—	—	2	—	—
" "	197	10	24	—	4	10	—
" "	200	—	—	32	—	—	15
" "	217	1½	13	—	16	20	—
" "	220	—	—	22	—	—	32
" "	237	1	6	—	36	40	—
" "	240	—	—	15	—	—	43
" "	260	0½	3	10	56	62	65
GMH (USP 338)	214	124	—	—	1	—	—
" "	220	118	—	—	1	—	—
" "	240	98	102	—	1	1	—
" "	260	78	82	—	1	2	—
" "	280	58	62	57	1	3	3
" "	300	38	42	48	1	4	5
" "	330	9	22	27	5	11	14
" "	360	1½	10	16	25	30	36
ICI (USP 370)	260	110	114	—	0½	2	—
" "	280	90	94	—	1	2	—
" "	300	70	74	84	1	3	4
" "	330	40	44	54	1	8	10
" "	360	12	22	28	4	16	20
LS (USP 284)	240	45	48	—	1	4	—
" "	260	25	29	36	2	7	12
" "	280	4	16	24	4	12	18
" "	300	1	8	13	20	23	28
M & S (USP 201)	140	62	—	—	—	—	—
" "	160	42	48	—	1	1½	—
" "	180	22	29	33	1	4	6
" "	200	5	16	21	4	22	16
" "	220	1½	8	13	20	24	29
" "	240	½	4	7	40	44	49

Option		Calls Jan.	Calls April	Calls July	Puts Jan.	Puts April	Puts July
SHL (USP 424)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
" "	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
" "	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
" "	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
BBL (USP 406)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IMP (USP 116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LMO (USP 307)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LNR (USP 99)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P & O (USP 117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RCL (USP 547)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ (USP 524)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VRF (USP 116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Jan. 18 Total Contracts 2,301 Calls 1,826 Puts 475

EUROPEAN OPTIONS EXCHANGE

Series			Mar. Vol.	Mar. Last	Jun. Vol.	Jun. Last	Sep. Vol.	Sep. Last	Stock
D/FL	C	F.260	4	6.30	6	8.30	—	—	F.263.50
D/FL	C	F.270	26	2	5	3.40	1	4.50	"
D/FL	C	F.275	—	—	1	2.20	10	4	"
D/FL	C	F.280	—	—	9	2	—	—	"
D/FL	P	F.260	7	4.50	3	8.20	—	—	"
D/FL	P	F.265	69	7	1	11.20	2	15	"
[illegible]									

TOTAL VOLUME IN CONTRACTS 15,029

A=Asked B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982-3 High	1982-3 Low	Stock	Closing price p	+ or —	Net Div.	Times Covered	Gross Yield	P.E. Ratio
§§	F.P.	—	263	250	AMEC (50p)	254		g9.0	—	5.1	—
§105	F.P.	13/1	192	140	✢Baltic Leasing 5p	190		b2.8	3.5	2.4	15.6
§75	F.P.	10/1	158	115	✢Bespak 10p	158	+11	b2.5	3.6	2.3	14.6
‖‖	F.P.	—	15	12	✢Booth (Charles) 5p	15	...	—	—	—	—
§100	F.P.	22/4	102	100	Br. Kidney Pat. As.	102	...1	—	—	—	—
¶215	100p	22/4	84	60	Britoil 10p	62	—1	b9.9	1.8	8.0	9.8
§74	F.P.	21/1	140	103	✢Canvermoor	145	+5	b3.64	2.0	3.6	16.4
56	F.P.	7/1	133	98	✢GarfunkelsRest.10p	112	—	b1.86	3.2	2.4	14.6
§17	F.P.	21/1	35	24	✢Inn Leisure 5p	32	...	ud.42	3.7	1.9	18.0
§130	F.P.	14/1	190	156	✢Memory Comp Ir10p	190	+12	bQ20.6	5.6	1.2	20.1
§120	F.P.	30/12	265	195	✢Micro Bus. Sys. 10p	262	—3	b2.25	3.4	1.2	36.0
§180	F.P.	—	370	330	✢Microgen	360	+10	b4.0	2.9	2.2	29.7
§155	F.P.	7/1	255	200	✢Munford & White.	245	+15	b2.6	2.4	1.5	36.7
51	F.P.	—	177	149	✢NMW Computers	175		g3.0	2.8	2.5	18.3
§93	F.P.	4/2	198	145	✢Resource Tech.10p	182	—3	—	—	—	35.0
525	F.P.	14/1	217	143	S.T.C (New)	196	—1	b6.0	1.9	4.4	16.1
§62½	F.P.	21/12	150	102	✢SlatersFoodPrds10p	142	+2	b2.0	3.6	2.0	15.0
§§	F.P.	—	13	13	✢Southwest Res.10p	13		—	—	—	—
§120	F.P.	—	125	110	✢Swindon Priv Hos £1	110	—2	—	—	—	—
§§210	F.P.	17/12	315	275	SystemsDesign'rs 10p	315	+6	b2.2	3.5	1.0	40.4
§10½	F.P.	—	35	16	✢Tops Estates 10p	35	—4	—	—	—	—
§§	F.P.	18/2	195	175	Transconti. Serv. 50c.	188	+1	HQ9.57	—	5.1	—
§80	F.P.	—	87	55	††Voyager Pet. (UK)	55		—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982/3 High	1982/3 Low	Stock	Closing price £	+ or —
§§	F.P.	—	108	102	AMEC 15% Uns. Ln. 1992	107	+½
97.504	£25	4/3	29½	18¾	BOC 12¼% Uns. Ln. 2012 17.	19¾	—¼
99.431	£20	10.4	21⅞	13	Birmingham 11½% Red. 2012.	18¼	—¾
96.574	£25	29/4	26¼	23½	Bishopsgate Tst. 7.17% Stpd Deb 2023	24½	—1½
97.91	£30	—	52	18¼	European Inv. Bk. 11% Ln. 2002.	19	—⅝
§§	F.P.	—	36p	30p	Jessel Toynbee 3.75% Red Cum. Pref.	36p	...
99.799	£25	31/5	25½	22	London Shop 12.5% 1st Mt. Deb. 2015-20	24½	...
99.13	£25	31/5	24⅝	20¾	NatWest 12½% Sub. ord Uns Ln.2004	22¼	+½
—	—	—	100¼	99½	Nationwide Bg.Soc.11¼% Bds. 19.12.83	99⅝	+⅛
—	—	—	99	99	Do. 11⅛% Bds. 25.1.84	99	
‡99.798	£30	25/2	30¼	26½	Scottish Eastern Inv. Tst 12% Deb. 2012	28½	—½
96.55	£25	8/7	25⅜	25	Sweden 13½% Ln. Stk. 2010	25½	...
¶¶	F.P.	18/2	90	85	Transcont. 9% Cnv.Ret.Uns.Ln.Nts.1995	88	....

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982/3 High	1982/3 Low	Stock	Closing price p	+ or —
26	Nil	28/1	18/2	143pm	94pm	Arlen Elec.	132pm	—11
90	Nil	28/1	18/2	24pm	18pm	Bellway	18pm	—1
50	Nil	—	—	5pm	4pm	Cluff Oil 'B'	4pm	..
60	F.P.	14/1	11/2	73	65	ICL	72	—1
95	Nil	—	—	25pm	16pm	NNS News 10p	22pm	+2
58	Nil	3/2	29/4	5pm	3pm	Stakis 10p	5pm	+2
470	F.P.	11/1	11/2	595	525	Wolseley-Hughes	595	+5

Renunciation date usually last day for dealing free of stamp duty. Fr French Francs. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. f Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. ◆ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✢ With warrants. †† Dealings under special Rule. ✢ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. ◆ Merger bid or reorganisation in progress.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 10	Jan 21	April 21	May 3
Jan 24	Feb 4	May 5	May 16
Feb 7	Feb 18	May 19	May 31

For rate indications see end of Share Information Service

Money was given for the call in De Beers Deferred, Charter Cons., Polly Peck, KCA Drilling and International, North Kalgurli, Jenks and Cattell, Television South, Arlen Electric, London and Liverpool, Bellair, Kia Ora Gold, GEC, Slater Foods, Trident TV, Stewart Nairn, Armour Trust, Telefusion, Metals Exploration, Grovebell, Chloride, Cope Allman, Sangers, Hollis Bros., Acorn Securities, James Wilkes, Town and City Properties, Lofs, John Brown, Weir and TSL Thermal Syndicate. Puts were taken out in Reardon Smith, Thorn EMI and Nimslo, while doubles were arranged in Carlton Real Estate, Polly Peck and KCA International.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Mellins	22	158	+24
Grovebell ...	21	12¾	— 3¾
Microgen	19	350	—
Bio-Isolates ...	18	290	+35
Deelkraal	18	374	+44
Cns Gold Flds	17	552	+24
Ultramar	17	545	+27
Lon & Liv Tst	16	355	+18
BOC	15	170	— 8
Driefontein ...	15	£22⅞	+ 1⅛
ICL	15	73	+ 6
Keep Inv Tst	15	17	+ 2½
Wilkes (J.) ...	15	347	—
De Beers Dfd	14	443	+11

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BSR	58	— 3
Barratt Devs	468	— 4
Berisford (S. & W.)	194	—10
Bowater	175	+ 5
Horizon	215	+13
Racal	547	— 5
Trident TV A	78	—
Ultramar	550	+ 5
Valor	90	+ 6
Ventersposl	£13½	— ⅛
Wilkes (J.)	320	—27
Wimpey	132	—

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	85	6
Corpns. Dom. and Foreign Bonds ..	26	13	37
Industrials	263	302	758
Fin. and Props. ...	148	84	282
Oils	23	26	60
Plantations	5	1	16
Mines	49	41	59
Others	78	39	51
Totals	599	591	1,269

NEW HIGHS AND LOWS FOR 1982/3

NEW HIGHS (166)

AMERICANS (13)
BANKS (1)
BREWERS (1)
BUILDINGS (1)
CHEMICALS (4)
DRAPERY & STORES (5)
ELECTRICALS (9)
ENGINEERING (7)
FOODS (2)
INDUSTRIALS (20)
INSURANCE (2)
LEISURE (2)
MOTORS (3)
NEWSPAPERS (3)
PAPER (3)
PROPERTY (3)
SOUTH AFRICANS (3)
TEXTILES (3)
TRUSTS (52)
OIL & GAS (1)
OVERSEAS TRADERS (1)
PLANTATIONS (2)
MINES (25)

NEW LOWS (6)

BUILDINGS (1)
Whittingham
FOODS (1)
Assoc. Fisheries
INDUSTRIALS (2)
Berisfords Wolverhampton-Steam
OILS (1)
Osprey
OVERSEAS TRADERS (1)
Nesco Invs.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues Jan 18 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Jan 17 Index No.	Fri Jan 14 Index No.	Thur Jan 13 Index No.	Wed Jan 12 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	432.88	—0.3	9.24	3.98	13.48	434.19	429.10	426.27	424.64	360.43
2	Building Materials (24)	411.62	—0.9	10.26	4.61	11.74	415.25	406.86	402.82	404.52	313.80
3	Contracting, Construction (30)	743.30	—0.4	11.85	4.44	10.06	746.43	732.56	726.71	717.95	552.62
4	Electricals (32)	1663.24	—0.2	7.17	2.07	17.87	1665.88	1654.65	1653.79	1651.26	1233.84
5	Engineering, Contractors (10)	418.38	—0.5	16.75	7.44	7.31	420.35	420.07	416.52	413.85	507.79
6	Mechanical Engineering (66)	201.17	—0.2	12.02	5.89	10.17	201.50	199.39	196.23	193.61	195.52
8	Metals and Metal Forming (11)	162.24	—0.4	13.34	7.67	9.80	162.98	161.86	159.18	157.42	168.53
9	Motors (18)	80.07	—0.8	1.07	7.94	—	80.69	79.38	78.96	78.45	98.14
10	Other Industrial Materials (17)	377.80	+0.1	9.27	5.65	13.43	377.43	370.40	365.73	365.85	375.68
21	CONSUMER GROUP (201)	403.31	—1.3	10.33	4.38	11.73	408.63	404.36	398.43	395.44	279.24
22	Brewers and Distillers (23)	449.03	—0.3	11.23	4.75	10.87	450.25	446.15	442.54	438.48	274.34
25	Food Manufacturing (21)	330.82	—1.5	13.74	5.55	8.53	335.72	335.16	333.69	327.45	276.45
26	Food Retailing (14)	852.99	—1.7	7.34	2.77	17.11	867.80	862.73	847.27	837.36	573.91
27	Health and Household Products (8)	718.33	—1.7	5.55	2.57	21.37	722.34	709.09	689.74	686.09	366.46
29	Leisure (24)	472.64	—0.2	8.42	4.90	15.38	473.82	466.68	451.89	451.80	423.79
32	Newspapers, Publishing (13)	699.86	+2.3	9.05	4.63	13.93	684.40	669.85	652.04	651.24	483.92
33	Packaging and Paper (14)	154.25	+1.2	15.88	7.26	7.84	152.37	149.38	147.27	145.91	138.31
34	Stores (47)	349.34	—2.5	8.69	3.93	15.20	358.15	355.81	350.39	352.22	251.00
35	Textiles (23)	177.66	—0.4	13.38	6.03	9.05	178.33	178.86	176.83	177.42	159.68
36	Tobaccos (3)	466.37	—1.5	18.81	5.94	5.87	473.31	462.23	460.76	447.20	275.62
39	Other Consumer (11)	350.43	+0.2	2.41	3.97	—	349.71	343.24	343.19	341.62	262.46
41	OTHER GROUPS (77)	298.60	—0.2	11.61	5.58	10.35	299.10	295.64	290.98	288.55	240.75
42	Chemicals (15)	394.23	—0.4	12.52	6.14	9.50	395.74	391.35	381.92	379.93	322.78
44	Office Equipment (5)	89.03	—0.2	15.39	8.29	7.98	89.17	86.61	85.55	83.54	119.76
45	Shipping and Transport (13)	540.68	—1.0	16.02	7.87	7.43	546.31	536.47	535.50	532.25	560.42
46	Miscellaneous (44)	422.91	+0.2	9.44	4.28	12.90	422.80	418.35	413.48	409.35	298.86
49	INDUSTRIAL GROUP (486)	399.71	—0.8	10.12	4.39	12.06	403.80	398.59	393.76	391.26	351.92
51	Oils (14)	746.13	—1.7	16.95	7.75	6.96	758.85	749.09	742.61	727.25	707.32
59	500 SHARE INDEX	428.46	—0.9	11.13	4.89	10.88	432.55	427.69	422.73	419.14	334.87
61	FINANCIAL GROUP (121)	279.72	—0.4	—	6.31	—	280.76	278.55	273.21	269.62	249.44
62	Banks (6)	291.02	—0.7	34.65	8.29	3.15	292.56	296.90	285.15	278.52	274.69
63	Discount Houses (8)	281.47	+0.2	—	8.41	—	280.94	278.46	276.80	274.44	220.13
65	Insurance (Life) (9)	346.95	—1.1	—	5.52	—	350.73	344.01	337.46	332.67	252.42
66	Insurance (Composite) (10)	189.11	—0.5	—	7.52	—	190.05	188.14	185.17	183.62	155.38
67	Insurance Brokers (7)	542.87	—0.5	11.84	5.02	11.73	545.78	538.57	530.82	529.36	421.48
68	Merchant Banks (13)	159.72	+0.8	—	5.40	—	158.46	157.25	155.86	156.14	149.22
69	Property (54)	420.78	+0.1	6.12	4.25	21.57	420.48	413.43	412.26	410.37	435.99
70	Other Financial (14)	204.23	+0.2	13.67	5.71	8.68	203.76	200.54	195.69	199.95	179.20
71	Investment Trusts (109)	389.94	+0.5	—	4.31	—	388.14	385.16	383.66	381.80	292.47
81	Mining Finance (4)	268.71	—1.2	7.64	5.29	17.53	271.85	261.07	263.39	261.96	221.26
91	Overseas Traders (16)	433.66	—	11.51	8.34	11.48	433.87	428.87	437.65	429.02	412.94
99	ALL-SHARE INDEX (750)	392.79	—0.8	—	5.12	—	395.82	391.41	386.90	383.42	314.56

FIXED INTEREST

	PRICE INDICES	Tues Jan 18	Day's change %	Mon Jan 17	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	116.48	—0.29	116.82	—	0.48
2	5-15 years	125.27	—1.03	126.57	—	1.07
3	Over 15 years	131.98	—1.15	133.52	—	0.00
4	Irredeemables	137.80	—1.48	139.86	—	0.00
5	All Stocks	124.44	—0.85	125.51	—	0.65
6	Debentures and Loans	100.36	+0.55	99.81	—	0.23
7	Preference	75.33	+0.01	75.32	—	0.21

	AVERAGE GROSS REDEMPTION YIELDS		Tues Jan 18	Mon Jan 17	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.94	8.78	12.96
2		15 years	10.56	10.41	14.07
3		25 years	10.81	10.64	13.92
4	Medium Coupons	5 years	11.72	11.51	16.01
5		15 years	11.67	11.50	15.77
6		25 years	11.19	11.06	15.19
7	High Coupons	5 years	11.83	11.60	15.92
8		15 years	11.86	11.70	15.97
9		25 years	11.39	11.20	15.53
10	Irredeemables†		[illegible]	[illegible]	[illegible]
11	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12		15 years	[illegible]	[illegible]	[illegible]
13		25 years	[illegible]	[illegible]	[illegible]
14	Preference†		[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

Midway slip by Group Investors

Gross revenue of Group Investors edged ahead from £293,329 to £299,959 for the half year ended December 31 1982 but after interest, other expenses, and estimated tax of £58,436, against £63,701, net revenue available emerged £10,103 lower at £98,715.

Total assets, less current liabilities, at market value amounted to £14.09m.

ACCOUNTING

Professional institute told that it needs more political weight

BY CHRIS CAMERON-JONES

THE UK'S main accountancy body, the Institute of Chartered Accountants in England and Wales, was criticised yesterday for not having enough political weight.

Mr Martin Haslam, a partner of chartered accountants Keymer Haslam, said that the profession should be advising the government of the day what to do, based on the needs of industry and commerce, and not the other way round.

He was speaking on the second and final day of the Financial Times conference, held in London, on new challenges for the accounting profession.

Mr Haslam said that the 1981 Companies Act illustrated "that somehow, in spite of 100 years of preparing accounts, we have not been effective.

"The profession must lead and it must be a forceful profession," he *continued. "What I am afraid I consider* to be the real problem today is a total lack of political fibre in the leadership of our institute."

*He proposed as a solution the ap*pointmen of a director general "a full-time paid official, one who has the political personality and clout to *speak up for the members."*

Mr Haslam, who with his partner Mr David Keymer is best known for resisting the latest current cost accounting standard, SSAP 16, went on to say that it was a disgrace that banks had advertised their personal services while the profession had been impotent to do the same. A director general, he suggested, would be able to put pressure on the London clearing banks.

He noted that the public did not, it seemed, turn to accountants for their investment advice. He called for a national advertising campaign to promote accountancy services.

Mr John D. Cormie, director of Reed International and deputy president of the Institute of Chartered Accountants in England and Wales, said that the idea of a director general had been under discus*sion at the institute* for the past 18 months. The problems would be finding someone suited to the changing problems.

However, *Mr Cormie said he* did not see the institute as a political lobby. The problem generally was finding out what members wanted, not just the political activists. Nor did he accept the wisdom of advertising, which he felt would open a Pandora's box.

Mr Cormie also examined the education and training of accountants and the needs of industry.

"I believe it is a pity that so much heat is generated by the training in industry issue," he said.

"It would seem to me to be one perfectly sensible place to train to become a chartered accountant."

He acknowleged that the profes*sion could not produce specialists in* three or four years, but it could and must produce numerate people who understood the changing needs of industry and commerce and could communicate that understanding.

Mr Kenneth Sharp, head of the Government Accountancy Service and former institute president, said *it was much better to retain the* present undefined relationship between the profession and government which could adapt more suc*cessfully and be more effective than* formal structures.

The Accounting Standards Committee (ASC) was one of the more *interesting aspect of this relation*ship, he said. In the areas of disclosure, the lack of comparability that had arisen between companies' accounts had led some people to "the superficial view that it is for the law to require disclosure and accounting standards to be restricted to measurement issues."

He continued: "I believe this view is too facile, if only because the overriding requirement of 'true and *fair' may well require, or through* time come to require, disclosure of matter which is not expessly listed in the legislation."

Mr Sharp said that the achievements of the ASC over the past 12 years had been considerable, but this was not to suggest that all was perfect with it. But it had the flexibility to correct its mistakes relatively rapidly, unlike the legislature.

Financial Times conference on new accountancy challenges

"ASC, however, cannot be allowed to operate regardless of public policy," he said. "In particular, the Government, of any political complexion, is bound to have a considerable interest in what has become known as economic consequences."

While the Government might feel the committee's proposals were satisfactory in terms of accounting *theory, he continued, they might* have a detrimental economic effect. Instances of this had occurred with the ill-fated current purchasing *power accounting standard SSAP 7.*

Where proposals were contrary to the international interest, the Government must inevitably bring *pressure to bear, Mr Sharp said.*

Mr Edward L Langton, senior partner of Stoy Hayward, discussing the future of the medium-sized accountancy firms, said a major advertising campaign would not appeal to the kind of clients that this size of firm sought. The money could be better spent on improving the quality of its services. But large-scale advertising could have an effect on a company looking around to change its auditor.

The future of the medium-sized firms lay in extending general advisory services to audit clients, he *said. The Unlisted Securities Mar*ket was another area of growth. He argued that medium-sized firms would survive because of their adaptability.

Mrs Barbara Culverhouse, sole practioner and member of the En*glish institute's small practioners'* advisory committee, said some 85 per cent of accountants were-small practitioners and there would al*ways be a place for them.*

However, she called for a reduction in the amount of legislation, particularly regarding tax. She noted that the accounting standards made the cost of audits out of all proportion to the benefits for a small company.

Mr Paul J Rutteman, a partner of Arthur Young, McClelland Moores, spoke of the impact of the European Community. He stressed the importance for the profession to be in right from the start of relevant EEC directives. Although they took a long time to be finalised, once adopted they were difficult to amend.

Mr Michael Renshall, partner of *Peat, Marwick Mitchell, said that* the accountancy profession was living in the middle of a technological revolution with computers. He *warned that if the profession did* not meet the technical and economic demands of the business it served, there were plenty of compe*titors who would.*

Mr F. E. Bleasdale, vice-president of the Association of Certified Accountants and assistant general manager of Midland Bank International, said there were too many accountancy bodies in the UK. He urged a speedy introduction of registration by the Government to restrict the activities of the unqualified.

FT COMMERCIAL LAW REPORTS

Deviation to convenient port reasonable

DANAE SHIPPING CORPORATION OF MONROVIA v TPAO GUVAN TURKISH INSURANCE CO LTD

Queen's Bench Division (Commercial Court): Mr Justice Lloyd: December 21 1982

DEVIATION OF a vessel *from its contract voyage for* the purpose of carrying out repairs is "reasonable" if the port to which it is taken *is safe and convenient;* and where the arguments for putting in at either of two ports are evenly balanced, the *court, in assessing reasonable*ness, is entitled to accept the reasoning of the person whose decision it was to choose a particular port, if he is a person of competent skill and knowledge and acted bona fide in the interests of all concerned.

Applying those principles, Mr Justice Lloyd found that the plaintiffs, Danae Shipping Cor*poration, owners of the Daffodil* B, were reasonable in having deviated to Lavrion for repairs, and held that they were entitled to general average contributions from the defendant cargo owners and their insurers, TPAO Guvan Turkish Insurance Co. Ltd., in respect of a casualty which occurred during the deviation.

"General average" is a loss incurred for the good of all interested parties on a ship, to *the cost of which all parties con*tribute after assessment by an "average adjuster."

* * *

HIS LORDSHIP said that on November 13, 1978, in pursuance of a charterparty, the Daffodil B loaded a cargo of 35,000 tons of *fuel oil at Milazo in Sicily.* She set sail for Rotterdam, but suffered a breakdown in her diesel generator and continued the voyage by using the two main shaft generators backed up by her steam turbine generator.

The master was ordered to change course for the eastern end of the Dardanelles. He explained to the owners' managers that it was advisable for a repairs team to come on board to *repair the generator. There was* some discussion as to which was the most convenient port of call and Captain Galanos, a port captain employed by the managers, ordered the vessel to go to Lavrion, a small port on the east coast of Greece.

On November 15 at 17.20 hours, the Daffodil B anchored at Lavrion. A repair team came on board. It was intended that the repairs should be undertaken in the course of the voyage. At 20.50 hours the vessel weighed anchor to continue her voyage to Turkey.

Five minutes later she grounded on a rock at the north-east entrance to the harbour. The master tried to get her off by use of engines, but without success. Eventually she was towed off after discharging part of the cargo.

*

She was taken to Corinth and from there to Piraeus. After completion of repairs, she proceeded to Izmir in accordance with fresh instructions, where she discharged her cargo.

The owners of the Daffodil B claimed *general average* contribution from the cargo owners. According to the adjustment the contribution due was $387,304.

The defence was that the ves*sel deviated in the course of the* voyage, and that the casualty occurred during deviation. The shipowners admitted the deviation, but said they were entitled to rely on Article IV rule 4 of the Hague Rules, which provided that "any reasonable deviation shall not be deemed to be an *infringement . . . of the* contract, and the carrier shall not be liable for any loss or damage resulting therefrom."

*

The point was whether the deviation was reasonable. It was agreed that it would not have been safe for the vessel to navigate the Dardanelles with the diesel generator out of action. Thus it was essential for the vessel to put in to a port for repairs, or to take on a repair team. The shipowners said it was reasonable to put into Lavrion.

The cargo-owners' main case was that Lavrion was not safe for a vessel the size of the Daffodil B. The shipowners said *that it was.*

The crucial factor was the length of time that the vessel was intended to stay. The pilot at Lavrion stated in evidence that in his view the port was perfectly safe for larger vessels, provided they stayed only a short time, taking on crew or provisions. The average stay for that purpose was four to five hours.

Having regard to that evidence, which was backed up by statistics, it was impossible to hold that the anchorage at Lavrion was unsafe for short-stay vessels as large as the Daffodil B.

The main ground on which the cargo-owners put their case was therefore rejected. Their second ground was that *even* if Lavrion were safe for that size of vessel, it was not safe for the Daffodil B.

They said that it would have *been better if she had gone to* Piraeus, because although the deviation would have involved an additional 40 miles as opposed to four. Piraeus was a large port with ample repair facilities, and tugs were available in the event of complete breakdown.

In all the circumstances, the cargo-owners contended, the reasonable and obvious thing to do was to put into Piraeus, and it was not reasonable to go to Lavrion.

*

In *Stag Line v Foscolo Mango [1932] AC 328* Lord Atkin said at page 343 that the true test of what was a reasonable deviation "seemed to be what departure from the contract voyage might a *prudent person controlling* the voyage . . . make, bearing in mind all the relevant circumstances . . . including the terms of the contract and the interests of all parties concerned, but without obligation to consider the interests of anyone as conclusive."

Considerable assistance was derived *from Phelps James v Hill [1891] 1 QB 605* where Lord Justice Linley said at page 611: "All the decisions on . . . deviation show that what is reasonably necessary is permissible . . . If a master of competent skill and knowledge and acting *bona fide* in the interest of all concerned, has chosen one port in preference to another, then although the court may take a different view . . . they ought not to . . . on light grounds. In a nicely balanced case they are fully justified in attaching considerable weight to the master's judgment and in allowing that to turn the scale in their own minds."

*

The shipowners said that Lavrion was just as safe as Piraeus, indeed safer. If the remaining generator had broken down when the vessel was in a crowded sea-way, and the vessel had suddenly become disabled, the danger from collision with other vessels would have been at least as great, if not greater, than if the vessel had become disabled on entering Lavrion.

There was much force in that contention. At the very least the choice between Lavrion and Piraeus, from the safety point of view, must be regarded as evenly balanced; and in favour of Lavrion it could be said that it involved a smaller deviation from the direct route, and almost *certainly less waiting.*

*

The arguments in favour of *Lavrion* were *entitled* to carry the day. Assuming that the arguments were evenly balanced, then one came back to the man who made the decision.

Captain Galanos knew the port, its capacities and its limitations. Of his skill and knowledge there was no question; and nobody doubted that the choice was made *bona fide*. Adopting the approach of Lord Justice Linley in the *Phelps James* the court *should* be slow to criticise his decision.

The deviation was "reasonable deviation" within the meaning of Article IV rule 4 of The Hague Rules. There would be judgment for the shipowners for $387,304.

For the shipowners: Anthony Colman QC and Patricia Phelan (Hill Dickinson and Co.).

For the cargo-owners: Michael Howard and Sarah Miller (Sinclair Roche and Temperley).

By Rachel Davies
Barrister

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.	215.48		.....	—
Managed Inv. Fd.	146.67	154.98	.....	—
Property Fd.	144.54	152.15	.....	—
Fixed Interest Fd.	137.24	144.47	.....	—
Cash Fd.	130.49	137.36	.....	—
Income Fd.	141.81	149.28	.....	—
Extra Income Fd.	132.99	139.99	.....	—
Worldwide Growth Fd.	186.72	196.55	.....	—
Balanced Fd.	155.85	164.06	.....	—
Smlr Co's & Recs. Fd.	160.05	168.48	.....	—
Int. Technology Fd.	207.87	218.82	.....	—
Nth. Amer. & Gen. Fd.	131.42	138.34	.....	—
Energy Int. Fd.	84.59	89.05	.....	—
Pacific Basin Fund	113.27	119.24	.....	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Equity	93.3	98.2	.....	—
International	103.8	109.3	.....	—
Property	95.9	100.9	.....	—
Deposit	95.3	100.3	.....	—
Fixed Interest	92.4	97.3	.....	—
Managed	96.9	102.0	.....	—
Equity Pens Cap.	92.9	97.8	.....	—
Intnl. Pens. Cap.	104.9	110.4	.....	—
Property Pens Cap.	95.8	100.8	.....	—
Deposit Pens Cap	95.3	100.3	.....	—
Fixed Int Pens Cap.	91.9	96.7	.....	—
Managed Pens Cap.	97.0	102.1	.....	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth. Jan 5	83.2		.....	—
Retmt. Fed. Jan 7	204.4		.....	—
Managed Pen Fund	167.0	175.8	.....	—
Property Pen Fund	109.5	115.3	.....	—
Index Lnkd Pen Fund	119.8	126.2	.....	—
Managed	105.6	111.2	-1.4	—
Property	97.7	102.9	.....	—
Gilt and Fixed Interest	95.8	100.9	-1.1	—
Index-Linked	102.9	108.4	-1.2	—
Equity	106.6	112.3	-2.1	—
Cash	97.1	102.3	-0.2	—
Midland Bk. Unit Tst.	103.0	108.5	+1.3	—
Midland Bank Insnt.	119.7	126.0	-0.3	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Pen Bond Fund	119.7	126.1	-1.6	—
GT Pen High Yld Fnd	103.2	108.7	+0.6	—
GT Pen Far East Fnd	94.6	99.6	-3.0	—
GT Pen N Am Fund	140.5	147.9	+3.9	—
GT Pen UK&G.E. Fnd	117.9	124.2	+1.8	—
GT Pen Wrldwde Fnd	110.6	116.5	-0.2	—
GT Pension Bnd Fnd	124.0	130.6	-1.9	—
GT Pen High Yld Fd	114.3	120.4	+0.9	—
GT Pen Far East Fd	100.1	105.4	-1.7	—
GT Pen N. Am. Fd.	169.8	178.8	+4.7	—
GT Pen UK & G.E. Fd.	127.5	134.3	+2.0	—
GT Pen Worldwide Fd.	115.7	121.8	.....	—

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0739

Intl. Managed Bond	154.5	162.7	.....	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.		214.4	.....	—
Portfolio Fd. Init.		183.9	.....	—
Portfolio Fd. Cap.		208.1	.....	—
Portfolio Man. Acc.	65.4	68.8	.....	—
Portfolio Man. Init.	58.3	61.4	.....	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance		1,426	.....	—
Landbank Secs.		64.08	.....	—
Landbank Secs. Acc.	173.3	177.8	.....	—
G. & S. Super Fd.		£20.734	.....	—

Guardian Royal Exchange
Royal Exchange, E.C.3. 01-283 7101

Guardian Assurance

Property Bonds	298.6	311.0	.....	—

GRE Linked Assurance Limited

Managed Initial	183.7	193.4	+1.9	—
Do. Accum.	200.5	211.1	+2.1	—
Equity Initial	230.6	242.8	+1.4	—
Do. Accum.	251.7	264.9	+1.6	—
Fixed Int. Initial	173.8	182.9	+0.6	—
Do. Accum.	189.7	199.7	+0.7	—
International Initial	178.4	187.8	+0.6	—
Do. Accum.	194.8	205.0	+0.6	—

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	91	Exch. 3pc 1983	99 xd	...	—	11.17
101½	95¼	Treasury 12pc 1983‡‡	100	......	11.99	11.22
100	92	Treasury 9¼pc '83	99	....	9.30	10.53
104	96	Exch. 13pc '83	102	..	13.23	10.78
101¼	91	Exch. 10pc 1983	99	–	10.06	10.70
98¼	87	Funding 5½pc '82-84‡‡	97	–	5.67	8.73
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]						
104½	90¼	Sunderland 12¼pc 1984	102xd	+¼	12.00	11.00

COMMONWEALTH AND AFRICAN LOANS

99	85¼	Aust. 6pc 1981-83	96 xd	+⅛	6.25	10.82
83¼	57	N.Z. 7¼pc 1988-92	77½xd	+¼	9.39	11.22
93	74¼	Do. 7½pc '83-86	89xd	+¼	8.50	11.74
167	136	S. Rhod. 2½pc Non-Ass.	163	..	—	—
80	58	Do. 3½pc 80-85 Assd	80	.....	12.04	11.19
55	32	Do. 4½pc 87-92 Assd	54	.....	8.59	13.80
402	318	Zimbabwe Ann (£100pa)	380	.....	—	17.20

LOANS

Public Board and Ind.

77½	57¼	Agric. Mt. 5pc '59-89	76xd	–¼	6.56	10.14
38	24¼	Met. Wtr. 3pc 'B'	33¼	–¼	9.10	11.74

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]							
900p	530p	♥Intl Nat Gas $1	720p	.....	$1.10	—	7.8
252p	88p	Massey Ferg.II	240p	+6	B—	—	—
23⅛	12⅛	♥Rio Algom	22	+⅞	$1.50	—	3.5
14½	822p	Royal Bk. Can. $1	14⅝	+⅛	$2.00	—	7.1
51	25½	Seagram Co. C$1	49	–½	US$1.80	—	2.3
20¼	994p	Tor. Dom. Bk. $1	20⅝	+⅛	$2.00	—	5.0
14½	743p	♥Trans Can Pipe	13⅝	–⅛	$1.28	—	4.8

BANKS AND HIRE PURCHASE

1982/83 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
282	182	ANZ SA1	225	+2	028c	♦	7.4	♦
315	205	Alexanders D. £1	278	.....	18.5	—	9.5	—
£75½	£48	Algemene Fl.100	£74	–1	026%	1.8	7.9	7.0
102	75	Allied Irish	102	+2	045.3%	4.0	9.6	3.3
*16⅛	9¼	Ansbacher (H.) 5p	11¼	.....	0.35	—	4.4	—
275	200	Bk. Ireland £1	260	+5	029.4%	—	9.8	—
3½	2	Bank Leumi	2½	.....	—	—	—	—

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
210	145	Jacksons Bourne	195	......	5.0	3.1	3.7	12.6
32	19½	James Inds. 10p	19½xd	−½	1.25	1.9	9.2	8.2
180	105	Jardine M HK$5	140	+3	Q92c	2.3	6.4	6.8
*48	13	Jenks & Cattell	22	+3	Z1.0	—	6.5	—
306	187	Johnson Clrs.	287	+2	4†7.7	2.3	3.8	16.0
337	227	Johnson Mthy. £1	332	......	10.0	1.9	4.3	(4.5)
238	98	Johnston Grp. 10p	238	......	4.0	6.2	2.4	9.4
88	64	Jourdan (T.) 10p	88	......	5.25	0.6	8.5	(8.7)
48	35	Kalamazoo 10p	42	......	2.5	0.9	8.8	18.1
170	135	Kelsey Inds.	152	......	8.0	♦	7.5	♦
310	130	Kershaw (A.) 5p	130	......	21.75	0.5	23.9	(1.1)
55	36	Kleen-E-Ze Hldgs.	39	......	t3.0	0.2	11.0	—
68	44	L.C.P. Hlds	56	−1	†3.6	0.6	9.5	(8.9)
106	39½	L.R.C. Int. 10p	105	......	†3.1	2.0	4.3	17.6
46	27	Lawtex	28	......	—	—	—	—
440	277	Lep Group 10p	390	......	17.5	1.7	6.4	(1.4)
37	22	LRiestall 10p	23	......	†2.5	—	‡	—
410	39	Lon. & Liv. 10p	380	+25	†2.45	2.4	0.9	55.3
116	78	London & Midl'd	103½	......	7.75	1.1	10.7	(12.0)
62½	36	Lon. & Nthn. Grp.	56	......	†3.75	2.1	9.6	6.8
43	23	Lon. Prlv. Health	38	+1	—	—	—	19.0
10	3½	Long Hambly. 10p	8¼	......	B—	—	—	—
64	36	Longton Inds.	64	+1	1.0	—	2.2	—
195	55	Low & Bonar 50p	82	+10	†7.0	0.6	12.2	(27.7)
27½	14	M.Y. Dart. 10p	18	......	‡h1.21	—	‡	—
242	105	M'c'rthy Ph. 20p	210	−2	7.0	2.0	4.8	9.7
132	48	Macfarlane Gp.	128	......	†h3.2	2.5	3.6	14.6
49	28	Maclellan 20p	46	......	†1.43	1.4	4.4	(8.2)
86	40	Macpherson (D.)	52	......	4.2	1.5	11.5	7.6
62	44	Magnolia Group	44	......	2.3	3.9	7.5	4.5
108	57	Man. Ship Can. £1	95	−2	B—	—	—	—
56	35	Marley	56	+2	2.25	1.5	5.7	(4.0)
51	29	Marling Ind. 10p	35½	+½	1.08	6.7	4.3	3.6
49	28	Marshall L'xy. 'A'	29	......	2.8	1.9	13.8	(4.6)
88	56	Marshall's Univ	60	......	0.1	—	0.2	—
37	21½	Martin-Black	24	......	—	—	—	—
£143	£97	Mathesons 7¾%	£128	+5	Q7¾%	2.3	(7.1)	—
190	132	Metal Box £1	164	......	11.55	1.2	10.1	(1.9)
138	106	Metal Closures	108	......	5.7	2.6	7.5	5.8
21	8½	Metamec Jentique	11½	......	0.5	—	6.2	—

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
151	90½	Intasun 10p	118	+3	3.5	4.8	4.2	6.8
182	112	LWT "A"	148	+5	11.08	1.1	10.7	11.9
204	116	Leisure Inds.	198	+5	46.0	3.0	4.3	9.4
127	64	Leisuretime Int 10p	127	+5	0.9	2.8	1.0	43.4
132	80	Mngmt. Ag. M. 10p	126	−2	8.75	♦	9.9	♦
67	55	Medminster 10p	58	......	4.0	0.8	9.9	18.2
275	100	Nimslo Int 20c	111	+1	—	—	—	—
185	35	Norton & Wrt. 10p	68	......	†d2.0	0.5	4.2	—
28	14	Owners Abroad	25½	+½	u0.35	4.6	2.0	15.8
65	43	Photax (Lon.)	45	......	†3.5	3.8	‡	2.9
153	80	Pl'ple Ent. St. 10p	142	+2	u1.5	2.1	1.5	35.1
500	149	Pleasurama 5p	443xd	−2	7.5	♦	2.4	♦
113	88	Radio City 'A' NV	110	−2	g5.6	♦	7.3	♦
*145	82½	Riley Leisure 10p	140	−2	Z4.1	1.7	4.2	20.2
179	84	Saga Hols. 20p	104	......	d3.73	—	5.1	—
440	125	Samuelson 20p	430	......	hd12.0	♦	4.1	♦
107	76	Scott. TV 'A' 10p	97	......	†7.0	3.8	10.3	3.6
*43	21	SelecTV 10p	28	......	—	—	—	—
18	13	TSW 5p	15½	......	0.9	3.3	8.3	5.2
52	28	TVS N/Vtg 10p	30	......	—	—	—	—
100	55	Tridnt TV 'A' 10p	78	......	4.26	♦	8.1	♦
215	92	21st Century Oil	160	......	—	—	—	—
27½	15½	Webb (Jos.) 5p	15½	......	d0.51	2.2	4.7	(1.1)
93	69	Zetters 5p	81	+1	2.75	2.8	4.8	10.5

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
21	12	B.L. 50p	21	+1	—	—	—	—
62	38	Caterpillar Mtr 10p	62	+8	u1.5	3.2	3.5	(8.8)
205	93	Gen. Mts. Units	202	−3	Q12c	—	3.7	—
272	133	Honda Motor Y50	270	+2	Q10%	8.4	0.4	28.4
32	14	Lotus Car 10p	29	+1	—	—	—	—
30	7	Reliant Motor 5p	30	+1	—	—	—	4.8
£29	£12½	Volvo Kr50	£27½	−1½	vQ18%	3.2	3.0	10.3

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL AND IRISH STOCKS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

"Recent Issues" and "Rights" Page 30

[illegible]

Companies and Markets **CURRENCIES, MONEY and CAPITAL MARKETS**

FOREIGN EXCHANGES

D-mark eases in nervous trading

The D-mark lost ground yesterday as currency markets acted nervously ahead of the March general election. Funds were switched out of the German currency into U.S. dollars, aided by a growing conviction that German interest rates may fall before a similar move in the U.S. The passing of another day without a cut in the U.S. discount rate also led to some degree of shortcovering.

Sterling finished firmer against European currencies, although a low of $1.5725 against the dollar sent shivers through financial markets in London, causing a slight upturn in domestic rates.

DOLLAR — Trade-weighted index (Bank of England) 118.3 against 121.6 six months ago. A change of emphasis towards fundamentals such as rising trade and budget deficits has pushed the dollar down recently. High interest rates had previously kept the U.S. unit firm but the Federal Reserve discount rate and bank prime rates are now following a downward path.

The dollar finished at its best level of the day against most currencies, rising to DM 2.3950 against the D-mark from DM 2.3580 and SwFr 1.9640 compared with SwFr 1.9325. It improved against the French franc to FFr 6.7850 from FFr 6.6825 and Y231.90 from Y229.50.

STERLING — Trading range against the dollar in 1982-83 is 1.9265 to 1.5837. December average 1.6176. Trade weighted index 82.0 against 82.0 at noon and 82.3 at the opening and compared with 81.9 on Monday and 90.8 six months ago. Sterling has been very weak of late on fears of an early general election, and forecasts that world oil prices will remain under downward pressure, leading to a worsening of Britain's balance of payments. The nervous and volatile conditions have tended to stabilise in the last few days however.

Sterling opened at $1.5800 against the dollar and rose on initial demand to a best level of $1.5900. However renewed interest in the dollar saw the pound fall to a low of $1.5725 in the afternoon before closing at $1.5760-1.5770, a fall of 1.2c. Against the D-mark it rose to DM 3.7775 from DM 3.7475 and SwFr 3.0975 from SwFr 3.0725. It was also higher against the yen at Y365.75 from Y365 and FFr 10.6925 compared with FFr 10.6125.

D-MARK — Trading range against the dollar in 1982-83 is 2.5940 to 2.2410. December average 2.4225. Trade-weighted index 128.2 against 124.5 six months ago. The D-mark has been strong recently, helped by an improving balance of payments position. It has benefited from the weakness of the dollar and sterling, but is showing signs of losing ground during the run-up to a general election in March.

The D-mark weakened against most currencies at the Frankfurt fixing. The Bundesbank did not intervene when the dollar rose to DM 2.3897 from DM 2.3577, as the German currency lost ground on nervousness about the result of the March election and expectation of a cut in the Bundesbank key lending rates at this week's central council meeting. Sterling improved to DM 3.7710 from DM 3.7450, and the Swiss franc to DM 1.2205 from DM 1.2170. On the other hand the Italian lira was unchanged and the French franc weakened.

JAPANESE YEN — Trading range against the dollar in 1982-83 is 277.35 to 219.00. December average 242.41. Trade-weighted index 146.3 against 132.2 six months ago. The yen has improved against the dollar recently on the attraction of Japanese capital and equity markets. High foreign interest rates had previously led to an outflow of funds.

The yen showed little change against the dollar in Tokyo. The U.S. unit fell to Y230.60 from Y230.70, after opening at Y231.30, and trading within a range of Y230.50 to Y231.50, touching the day's low shortly before the close. Although the dollar tended to drift down throughout the afternoon, trading was generally subdued.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9704	45.0235	+0.12	+1.37	±1.5501
Danish Krone ...	8.23400	8.08999	−1.75	−0.50	±1.6430
German D-Mark	2.33379	2.29744	−1.56	−0.31	±1.0888
French Franc ...	6.61387	6.51066	−1.56	−0.31	±1.3940
Dutch Guilder ...	2.57971	2.52578	−2.09	−0.84	±1.5004
Irish Punt	0.691011	0.691470	+0.07	+1.32	±1.6691
Italian Lira	1350.27	1320.12	−2.23	−1.56	±4.1389

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Jan. 18	£	$		£ Note Rates
Argentina Peso...	80,935-80,975	51,380-51,430	Austria	26.25-26.55
AustraliaDollar...	1.6005-1.6025	1.0145-1.0150	Belgium	77.50-78.50
Brazil Cruzeiro...	409.50-410.50	259.69-260.99	Denmark	13.23-13.36
Finland Markka...	8.3480-8.3565	5.2990-5.3010	France	10.62-10.72
Greek Drachma...	131.389-134.725	83.80-84.20	Germany	3.74½-3.78½
Hong Kong Dollar	10.25½-10.27½	6.5140-6.5190	Italy	2140-2180
Iran Rial	132.00*	82.90*	Japan	366-370
KuwaitDinar(KD)	0.4545-0.4555	0.28805-0.28825	Netherlands	4.12-4.16
Luxembourg Fr	73.95-74.05	46.92-46.94	Norway	11.02-11.13
Malaysia Dollar	3.6750-3.6850	2.3715-2.3755	Portugal	145-155
New Zealand Dlr.	2.1645-2.1675	1.3690-1.3715	Spain	192¼-206
Saudi Arab. Riyal	5.4088-5.4155	3.4335-3.4410	Sweden	11.47-11.58
Singapore Dollar	3.2575-3.2675	2.0695-2.0715	Switzerland	3.07-3.11
Sth. African Rand	1.6705-1.6710	1.0595-1.0600	United States	1.56¼-1.58¼
U.A.E. Dirham	5.7725-5.7815	3.6710-3.6740	Yugoslavia	122-131

*Selling rates.

CURRENCY MOVEMENTS

Jan. 18	Bank of England Index	Morgan Guaranty Changes%
Sterling	82.0	−38.5
U.S. dollar	118.3	+9.3
Canadian dollar	89.5	−17.4
Austrian schilling	120.6	+29.7
Belgian franc	94.3	−1.7
Danish kroner	84.2	−9.7
Deutsche mark	126.4	+54.1
Swiss franc	153.5	+109.4
Guilder	119.3	+27.4
French franc	74.2	−19.4
Lira	58.4	−58.4
Yen	146.3	+39.8

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Jan. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.697440	0.610495
U.S. $	8½	1.10049	0.961835
Canadian$	9.74	*	1.18017
Austria Sch	4¾	18.4552	16.1346
Belgian F	11½	51.5112	45.0235
Danish Kr	10	9.25622	8.08999
D mark	5	2.62984	2.29744
Guilder	4½	2.88989	2.52578
French F	9½	7.45747	6.51066
Lira	18	1510.42	1320.12
Yen	5½	254.198	222.472
Norwgn Kr	9	7.71852	6.72504
Spanish Pta	8	139.825	121.816
Swedish Kr	10	8.05118	7.01947
Swiss Fr	4½	2.15445	1.88295
Greek Dr'ch	20½	92.4302	80.7845

*CS/SDR rate for Jan. 17: 1.35282.

THE POUND SPOT AND FORWARD

Jan 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5725-1.5900	1.5760-1.5770	0.27-0.32c pm	2.63	0.88-0.93 pm	2.17
Canada	1.9300-1.9460	1.9330-1.9340	0.17-0.07c pm	0.74	0.40-0.30 pm	0.72
Nethlnd.	4.13¼-4.17¼	4.14¼-4.15¼	2¼-2c pm	6.50	6¼-5¾ pm	5.78
Belgium	73.70-74.30	73.95-74.05	15-25c dis	−3.24	50-60 dis	−2.97
Denmark	13.28-13.33	13.29¼-13.29¾	3¾-1½ore dis	−3.71	27¾-29¾ dis	−8.65
Ireland	1.1320-1.1440	1.1380-1.1400	0.59-0.71p dis	−6.85	1.31-1.61dis	−5.13
W. Ger.	3.76-3.80	3.77¼-3.78¼	2¼-1¼pf pm	6.35	5¼-4¼ pm	5.43
Portugal	149.25-152.75	149.75-151.75	320-885c dis	−47.96	670-1670dis	−33.10
Spain	198.10-200.80	199.65-199.95	75-130c dis	−6.16	280-380 dis	−6.51
Italy	2161-2173	2161¾-2167¾	15-20lire dis	−9.69	57-62 dis	−10.98
Norway	11.02-11.13	11.03¼-11.04¼	1½-2½ore dis	−2.31	7¼-8¼ dis	−2.76
France	10.66-10.73	10.68¼-10.69¼	8¼-9¼c dis	−4.77	21¼-24¼ dis	−8.54
Sweden	11.47-11.61	11.50¼-11.51¼	¼ore pm-par	0.39	1¼-2¼ dis	−0.57
Japan	364-368	365¼-366¼	1.75-1.55y pm	5.41	4.35-4.20 pm	4.67
Austria	26.35-26.60	26.47-26.52	13¼-11¼gro pm	5.72	33¼-29¼ pm	4.76
Switz.	3.07¼-3.10¼	3.09¼-3.10¼	2¼-2¼c pm	10.17	6¼-6¼ pm	8.23

Belgian rate is for convertible francs. Financial franc 78.05-78.15. Six-month forward dollar 1.50-1.45c pm. 12-month 2.65-2.50c pm.

THE DOLLAR SPOT AND FORWARD

Jan 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5725-1.5900	1.5760-1.5770	0.27-0.32c pm	2.63	0.88-0.93 pm	2.17
Ireland†	1.3850-1.3950	1.3850-1.3865	1.01-0.91c pm	8.28	2.60-2.40 pm	7.19
Canada	1.2225-1.2260	1.2260-1.2270	0.18-0.21c dis	−1.90	0.38-0.43dis	−1.32
Nethlnd.	2.6195-2.6340	2.6320-2.6340	0.90-0.85c pm	3.88	2.52-2.42 pm	3.75
Belgium	46.75-46.94	46.91-46.96	10-22c dis	−3.38	38-43 dis	−3.20
Denmark	8.3915-8.4400	8.4350-8.4400	3.70-3.80ore dis	−5.25	15¼-16¼ dis	−7.59
W. Ger.	2.3725-2.3950	2.3945-2.3955	0.78-0.73pf pm	3.78	2.08-2.03 pm	3.43
Portugal	95.00-97.00	95.00-97.00	250-600c dis	−53.12	450-1300dis	−36.46
Spain	125.30-126.75	125.90-126.05	70-85c dis	−7.62	226-285 dis	−8.21
Italy	1359-1375	1374-1375	12-14lire dis	−11.36	42-44 dis	−12.53
Norway	6.9540-7.0180	7.0075-7.0125	0.05-3¼ore dis	−5.14	819 dis	−4.86
France	6.7400-6.7900	6.7825-6.7875	5.10-5.20c dis	−9.19	17-19 dis	−10.77
Sweden	7.2800-7.3180	7.3025-7.3075	1.15ore dis	−2.05	4.20-6.30dis	−2.77
Japan	230.40-232.00	231.90-232.00	0.47-0.44y pm	2.72	1.44-1.34 pm	2.40
Austria	16.74-16.79	16.76-16.77	4.70-3.80gro pm	3.07	12¼-10 pm	2.68
Switz.	1.9400-1.9690	1.9635-1.9645	1.24-1.19c pm	7.42	3.02-2.97 pm	6.10

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.50-49.60.

EXCHANGE CROSS RATES

Jan. 18	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.577	3.778	365.8	10.693	3.098	4.158	3167.	1.936	74.00
U.S. Dollar	0.634	1.	2.396	232.0	6.782	1.965	2.637	1974.	1.228	46.94
Deutschemark	0.265	0.417	1.	96.82	2.831	0.820	1.099	873.5	0.512	19.59
Japanese Yen 1,000	2.734	4.310	10.33	1000.	29.23	8.469	11.35	9025.	5.288	202.3
French Franc 10	0.935	1.474	3.533	342.1	10.	2.897	3.884	2962.	1.808	69.21
Swiss Franc	0.333	0.509	1.220	118.1	3.452	1.	1.341	[illegible]	0.624	23.89
Dutch Guilder	0.241	0.380	0.910	88.08	2.576	0.746	1.	681.7	0.466	17.82
Italian Lira 1,000	0.462	0.728	1.744	168.8	4.935	1.430	1.917	1000.	0.892	34.16
Canadian Dollar	0.517	0.815	1.954	189.2	5.530	1.602	2.148	1121.	1.	38.27
Belgian Franc 100	1.351	2.130	5.105	494.3	14.45	4.186	5.611	2928.	2.613	100.

FINANCIAL FUTURES

Good volume

Volume was good in the sterling interest rate instruments on the London International Financial Futures Exchange yesterday, but trading was nervous influenced by movements in the cash markets. These reacted sharply to the fall of sterling against the dollar on the foreign exchanges. Despite a stronger performance against major currencies in general, including substantial gains in terms of the D-mark and several other European units, the pound lost ground to a very firm dollar. This disturbed the cash gilt market, where falls of over £1 were soon recorded. After a better opening of 101-17, compared with the previous close of 101-15, the March long gilt price quickly fell away.

In nervous and sometimes volatile trading it touched a low of 100-07, and despite several attempts to rally finished 1 5/32 lower at 100-10.

The short sterling interest rate contract showed a similar trend in quite active trading, particularly for March delivery. This also opened firmer at 89.76, but closed near the low of the day at 89.54, compared with 89.70 on Monday. Traders reported a resurgence of nervousness about the pound, although yesterday's foreign exchange movements were largely the result of the D-mark's weakness against the dollar, which tended to drag down other European currencies.

March sterling currency trading was also reasonably active at 558 lots, compared with March Eurodollar volume of only 453 lots. The Eurodollar pit is very quiet at present, overhung by speculation about a cut in the Federal Reserve discount rate, and next week's large Federal funding programme.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.22	91.23	91.19	91.26
June	90.85	90.90	90.85	90.91
Sept	90.54	90.59	90.54	90.62
Dec	90.24	90.30	90.30	90.30
March	90.00	90.06	90.06	90.05

Volume 525 (851)
Previous day's open int 3,056 (3,085)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
March	89.54	89.77	89.53	89.70
June	89.54	89.76	89.53	89.71
Sept	89.46	89.63	89.60	89.63

Volume 1,471 (1,203)
Previous day's open int 2,610 (2,494)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	100-10	101-17	100-07	101-15
June	100-02	100-27	100-00	101-05

Volume 1,680 (939)
Previous day's open int 252 (254)
Basis quote (clean cash price of 13¼% Treasury 1998 less equivalent price of near futures contract) −4-06 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.5785	1.5910	1.5690	1.5885
June	1.5845	1.5890	1.5845	1.5795

Volume 570 (380)
Previous day's open int 696 (723)

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
March	0.4205	0.4230	0.4200	0.4267
June	0.4241	0.4241	0.4231	0.4229

Volume 72 (6)
Previous day's open int 321 (334)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.5140	0.5190	0.5140	0.5211
June	0.5220	0.5220	0.5220	0.5289

Volume 161 (26)
Previous day's open int 262 (254)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4329	0.4350	0.4327	0.4368
June	0.4355	0.4355	0.4355	0.4399

Volume 24 (18)
Previous day's open int 106 (101)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	76-15	76-26	76-12	76-27
June	75-25	76-05	75-23	76-06
Sept	75-07	75-18	75-07	75-20
Dec	74-25	75-04	74-23	75-06
March	74-16	74-24	74-16	74-27
June	74-08	74-14	74-08	74-18
Sept	74.00	74-06	74-00	74-10
Dec	73-26	74-00	73-26	74-04
March	73-21	73-27	73-21	73-31
June	—	—	—	73-26

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.41	92.46	92.37	92.47
June	92.04	92.12	92.03	92.12
Sept	91.71	91.77	91.71	91.78
Dec	91.45	91.45	91.40	91.45
March	91.15	91.16	91.11	91.15
June	90.89	90.91	90.86	90.90
Sept	90.55	90.55	90.54	90.62

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.41	90.42	90.40	90.25
June	91.84	91.56	91.49	91.56
Sept	91.10	91.13	91.09	91.13
Dec	90.70	90.73	90.70	90.73

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.93	90.97	90.89	90.96
June	90.54	90.54	90.50	90.59
Sept	90.21	90.23	90.19	90.21
Dec	—	—	—	89.95

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	1.5685	1.5720	1.5630	1.5795
June	1.5590	1.5685	1.5650	1.5725
Sept	1.5660	1.5620	1.5630	1.5685
Dec	1.5620	1.5650	1.5610	1.5650
March	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	71-13	71-29	71-11	71-29
June	70-18	71-01	70-16	71-02
Sept	70-00	70.14	69-31	70-18
Dec	69-18	70-00	69.15	70-01
March	69-06	69-20	69-05	69-23
June	—	—	—	69-13
Sept	68-20	68-22	68-20	69-05
Dec	68-10	68-17	68-09	68-30
March	—	—	—	68-23
June	—	—	—	68.18
Sept	—	—	—	—
Dec	—	—	—	—

MONEY MARKETS

Rates edge firmer on sterling fears

UK clearing bank base lending rate 11 per cent (since January 12 and 13)

Interest rates were a little firmer in London yesterday as the market reacted nervously to a fall in sterling's value against the dollar. Three-month sterling CDs were quoted at 11 5/16-11 3/16 per cent up from 11 1/16-10 15/16 per cent while buying rates on six-month eligible bank bills edged up to 10¾-10 11/16 per cent from 10½-10⅜ per cent. The Bank of England kept its dealing rates unchanged when relieving the market shortage and rates tended to ease towards the close for short-term funds. Overnight interbank money opened at 11¼-11½ per cent and eased to 11 per cent for much of the morning before rising to a peak of 12½ per cent. Rates fell away in the afternoon however to 3 per cent.

The Bank forecast a shortage of £200m later revised to £300m. Factors affecting the market included bills maturing in official hands and a net take up of Treasury bills −£129m and the unwinding of previous sale and repurchase agreements −£264m. These were partly offset by Exchequer transactions +£70m and a fall in the note circulation of £70m. Assistance in the morning comprised purchases of £60m of eligible bank bills in band 2 (15-33 days) at 11 per cent. Further help was given in the afternoon of £212m, making a grand total of £272m. The afternoon help comprised purchases of £202m of eligible bank bills in band 2 at 11 per cent and £10m of Treasury bills in band 3 (34-63 days) at 11 per cent.

In Frankfurt call money was quoted at 5.55 per cent, nearly half a point below the Lombard rate of 6 per cent as the market started to reflect expectations of a cut in key lending rates at tomorrow's Bundesbank meeting. With the D-mark losing ground against the dollar ahead of a March general election, interest remains keen as to whether the authorities will react to a softer D-mark or continue to provide stimulation for the economy by cutting rates. Their decision will no doubt be influenced by the U.S. discount rate where speculation of an imminent cut is also considerable.

LONDON MONEY RATES

Jan. 18 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	3-12½	—	—	—	11-11¼	10¾-11	—	—	—
2 days notice	—	—	11-11⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11⅝-11¾	—	—	—	—
7 days notice	—	11⅛-11⅝	11⅛-11¼	—	—	11⅝	11-11⅛	—	—	—
One month	11⅝-11¼	11 5/16-11½	11¼-11⅝	12-11⅝	11⅜	11½	11	11-11 1/32	11 1/16	11 11/16
Two months	11 5/16-11⅛	11 3/16-11⅜	11 3/16	11⅞-11½	11⅝	11⅛	10¾-10⅞	11	11	11⅝
Three months	11 5/16-11 3/16	11 5/16-11¼	10⅞-11¼	11¾-11⅜	11⅜	—	10½-11¾	10 13/16	10 13/16	11 9/16
Six months	10 11/16-10 9/16	10⅞-11 1/16	10 15/16-11	10⅞-10½	11⅛	—	—	—	10⅝-10 11/16	11 5/16
Nine months	10⅞-10¾	10⅞-11 1/16	—	11⅝-11	11⅛	—	—	—	—	—
One year	10⅞-10¾	10⅞-11 1/16	10 15/16-11	11¼-10⅞	11⅛	—	—	—	—	—
Two years	—	—	11-11⅛	—	—	—	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period December 8 1982 to January 4 1983 (inclusive): 10.833 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11¼-11½ per cent; four years 11½-11¾ per cent; five years 11¾-12 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four month bank bills 10⅝ per cent; four month trade bills 11½ per cent.

Approximate selling rate for one month Treasury bills 10⅞-11 per cent; two months 10⅞ per cent and three months 10 13/16 per cent. Approximate selling rate for one month bank bills 11 per cent; two months 10⅞ per cent and three months 10 13/16 per cent; trade bills 11 7/16 per cent; two months 11⅜ per cent and three months 11 5/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from January 1 1983. London and Scottish Clearing Bank Rates for lending 10-10½ per cent. London Deposit Rates for sums at seven days' notice 7-8 per cent.

Treasury Bills: Average tender rate of discount 10.7517 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 11½ per cent; one-three-month 11¼ per cent; three-12-month 11¼ per cent. Under £100,000 11 per cent from January 17. Deposits held under Series 3-5 11¼ per cent. The rate for all deposits withdrawn for cash 8½ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Jan. 18	Short term	7 days notice	Month	Three Months	Six months	One Year
Sterling	11⅝-11½	11⅝-11½	11⅛-11½	11 3/16-11 5/16	10 15/16-11 1/16	10 15/16-11 1/16
U.S. Dollar	8⅝-8⅞	8¾-9	8 11/16-8 13/16	8⅝-8⅞	8 13/16-9 1/16	9¼-9 ½
Can. Dollar	10¾-11¾	10¾-11¾	10½-10¾	10⅛-10⅜	9⅞-10⅛	9¾-10
D. Guilder	5 5/16-5 9/16	5¼-5 9/16	5 5/16-5 9/16	4 13/16-5 1/16	4⅞-5	5 5/16-5 9/16
S. Franc	¾-⅞	¾-⅞	1 13/16-2 1/16	2 1/16-2 5/16	3-3⅛	3⅛-3¼
Deutschm'rk	5¼-5⅜	5¼-5⅜	5¼-5⅜	5¼-5⅜	5¼-5⅜	5⅜-5½
Fr'nch Franc	12½-13	15-15½	15½-16½	19-20	19-20	17½-18½
Italian Lira	16-18½	17⅝-19⅝	19⅝-21⅛	21⅜-22¾	22-22¾	21½-22⅝
Belg. Franc Conv.	11-12	12½-14½	13½-14½	13¾-14¼	13½-14½	12¼-13
Fin.	11½-12	12-12¼	12½-13⅜	12¼-12½	12¼-12½	12¼-12½
Yen	5⅞-6⅛	6⅛-6¼	6¼-6⅜	6 5/16-6 7/16	6 5/16-6 7/16	6 5/16-6 7/16
D. Krone	16½-19	18⅛-18⅝	18⅛-19⅝	19¼-19¾	18¼-18¾	17⅞-18⅝
Asia $ (Sing.)	9-9⅛	8 15/16-9 1/16	8¾-8⅞	8⅝-8⅞	8⅞-9	9 1/16-9 5/16

FT LONDON INTERBANK FIXING

(11.00 a.m. JANUARY 18)

3 months U.S. dollars		6 months U.S. dollars	
bid 8 3/4	offer 8 7/8	bid 8 15/16	offer 9 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	8¼-8⅜
Treasury bills (13-week)	7.62
Treasury bills (26-week)	7.73

GERMANY

Lombard	6.0
Overnight rate	5.55
One month	5.825
Three months	5.575
Six months	5.525

FRANCE

Intervention rate	12.5
Overnight rate	12.75
One month	12.625
Three months	12.5625
Six months	12.375

JAPAN

Discount rate	5.5
Call (unconditional)	6.65625
Bill discount (3-month)	6.90625

SWITZERLAND

Discount rate	4½
Overnight rate	¾-1¼
One month	1⅞-2
Three months	2½-2⅝

NETHERLANDS

Discount rate	4½
Overnight rate	5⅛-5⅜
One month	5-5⅛
Three months	4⅞-5
Six months	4⅞-5

$ CERTIFICATES OF DEPOSIT

One month	8.35-8.45
Three months	8.40-8.50
Six months	8.50-8.60
One year	8.90-9.00

LONG TERM EURO $

Two years	10⅛-10⅜
Three years	10⅝-10⅞
Four years	11⅛-11⅜
Five years	11¼-11½

SDR LINKED DEPOSITS

One month	8¾-8⅞
Three months	9 1/16-9 3/16
Six months	9 5/16-9 7/16
One year	9 5/16-9 7/16

ECU LINKED DEPOSITS

One month	10 1/16-10 5/16
Three months	11⅛-11½
Six months	10 15/16-11 3/16
One year	10⅞-11

CONTRACTS AND TENDERS

RESIDENTIAL PROPERTY

MOTOR CARS

ANNOUNCEMENTS

Mr. Jack B. Folmar, Chairman and Chief Executive Officer of Aviation Office of America, Inc. (A.O.A.), the Dallas-based international aviation insurance management organisation announces that Peter N. G. Brewis has joined A.O.A. as International Account Executive. He will be based in London and work directly with Peter E. O'Grady, A.O.A.'s President.

Aviation Reinsurance Management (London) Limited, a wholly-owned subsidiary of A.O.A. will continue its concentration in the reinsurance area under the direction of Clifford Lyon.

Aviation Office of America, Inc., is a Crum and Foster organisation.

The Morgan, Read & Coleman Group have pleasure in announcing the establishment of a new venture to be called Morgan, Read & Coleman (Aviation) Limited which will be mangaed by Peter N. G. Brewis.
PNGB/DH

PERSONAL

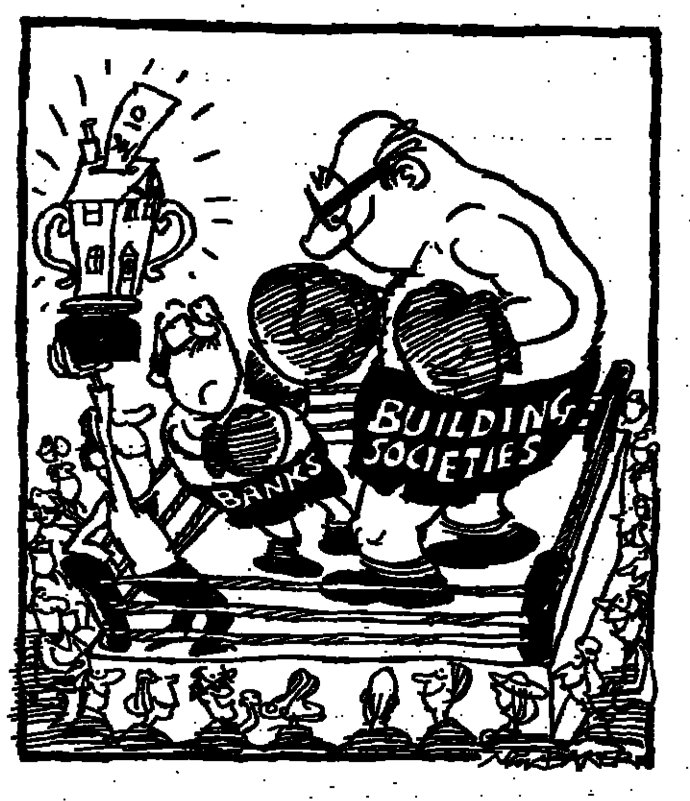
FINANCIAL TIMES
PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: 8954871. Telex: (Advertising) 885033. Telegrams: Finantimo, London. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd., Guiollettstr. 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Guiollettstr. 54. Telex: 416052. Telephone: 7598-157.

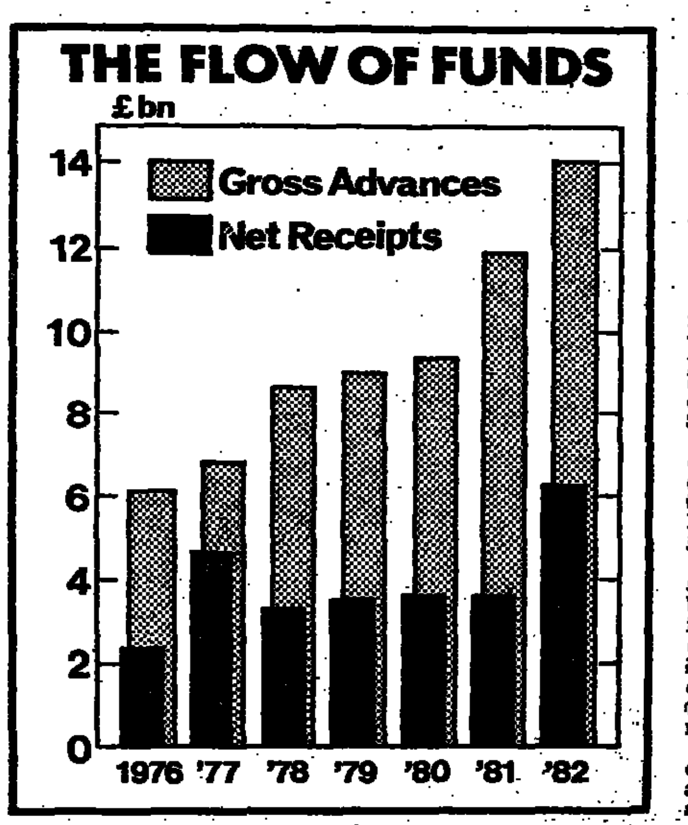
INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

FINANCIAL TIMES SURVEY

Building Societies



Their robust showing in difficult conditions last year is renewed proof of the building societies' strength. Performance this year is likely to be no less impressive, with lending forecast to reach perhaps £20bn—a comfortable background to the movement's continuing internal debate as to its future shape and direction



Heading into another good year

BY MICHAEL CASSELL

WITH YET another excellent year behind them the building societies begin 1983 in deep discussion about the shape and direction of their activities.

The past 12 months have provided further irrefutable proof of the societies' ability to succeed in their traditional business and also shown them to be adept at handing out a few telling punches to their competitors.

During 1982, the societies took in more than £30bn in savings and met withdrawals of over £25bn. Falling mortgage rates, the partial withdrawal of the banks from the market and plentiful liquid funds helped boost building society lending to over £15bn, involving more than 850,000 individual borrowers.

The societies' performance over this year is unlikely to be any less impressive, with some industry leaders suggesting that lending in 1983 could reach £18bn-£20bn.

But while much of the societies' time will inevitably be devoted to wrestling with interest rates and finding sufficient funds to satisfy home hunters, their attentions are expected to turn increasingly to other and equally fundamental matters.

Though the societies have coped well with the recent attacks on both their savings and home loan operations, the onslaught has provoked within the industry a phase of self-examination and reassessment which was arguably long overdue.

Competition has led to a thorough review of the range and standard of customer services and to a general awareness that in order to succeed as they have done in the past societies will have to prove themselves more imaginative and innovative.

Scope

But most societies shy away from the prospect of any full-scale revolution, believing that their success lies more in their ability to develop the business they know best rather than in launching a full-scale counter-attack into their competitors' territory.

Just how much scope they have for developing and expanding their own business depends to a large extent on the legislation governing their affairs and the prospect of changes in the law has served to heighten the internal debate on the industry's future.

The law governing building society operations has its roots in Victorian times and has since been subjected to few fundamental changes. On that basis alone it is generally agreed that new legislation is required and it seems likely that the Government will bring forward a much-delayed Building Societies Bill if it is returned at the next general election.

In preparation the Building Societies Association has been formulating its own proposals for reform and its conclusions are due to be made public on January 26.

The proposals embrace a long list of changes to the societies' constitution, including suggestions designed to promote wider membership participation in their affairs. The democratic virtues of the building societies have recently come in for close scrutiny and some well publicised attacks from those who believe it has become almost impossible for the ordinary member to make his views heard.

It is a criticism which the societies—mutual organisations in which the members' interests are deemed to be paramount—have taken to heart and which they are determined to overcome. Just how they ensure that democracy not only exists but is seen to exist in organisations which may each have several million members is a challenge which is increasingly likely to occupy their minds in the months ahead.

The BSA's suggestions also include the extension of societies' powers to enable them to become more directly involved in the provision of housing rather than continuing primarily as the financial catalyst for housing development.

Many societies have been paying increasingly close attention to the plight of inner city areas and to the question of special housing needs; some believe that release from historic operational constraints would enable them to play a much greater role in this type of activity.

Societies wishing to become involved in housing development are currently forced to follow a tortuous route in order to fulfil their ambitions and they will expect any forthcoming enabling legislation to remove the legal obstacles in their way.

The societies will be calling for the right to acquire housing land and to develop rented property, providing they are permitted to charge rents which make such schemes viable.

But even if they get their way it seems unlikely that the societies — facing continuing demands from their traditional customers—will be prepared to allocate more than a limited proportion of their funds to housing schemes.

A fear

In seeking new enabling legislation the societies know that they can expect a detailed examination of their affairs and reciprocal demands from the politicians. One fear is that permission to venture further into the housing field could ultimately lead to the controlled direction of mortgage funds, a concern not without foundation given previous government pressure on societies to step up advances under the local authority support lending programme.

Of much greater concern, however, is the likely extent to which the societies could be brought under closer fiscal supervision, a threat which becomes increasingly likely if competition draws them further into fresh financial territory.

For the time being at least one source of competition appears to be taking a rest. Having crashed into the mortgage market during 1981, scooping up large numbers of home buyers and highlighting the deficiencies of the societies' lending system, the clearing banks have returned to something of a back seat position.

Last year they advanced around £4bn to mortgage applicants and in so doing apparently surprised themselves as well as the building societies. But rapidly falling interest rates and exhausted quotas have tempered their early enthusiasm and bank lending has fallen significantly. Large numbers of borrowers who took the bank mortgage option because it appeared quicker and cheaper are now beginning to doubt the advisability of their action.

Even so the banks are unlikely to withdraw to their traditional position in the mortgage market, with advances in 1983 likely to reach £3bn or more and representing a useful additional source of home loan finance.

The mortgage market in 1983 seems likely to swallow all the money available but while some societies believe borrowers will face few problems in obtaining the funds they require others believe the position will become more difficult as the year progresses.

A further early fall in mortgage rate would stimulate house purchase activity even more in the spring and increase the prospect of a long-awaited revival in house prices.

Prices are now historically cheap when related to incomes and although there are numerous good reasons why another house price boom is not about to take place, average price rises considerably above those recently recorded in the marketplace begin to look increasingly likely.

CONTENTS

Housebuilding

Private sector poised for upturn

CONFIDENCE IS the prime ingredient in a thriving private housebuilding sector and the early days of 1983 appear to be heralding its return.

It is one which has been in very short supply since 1980, overwhelmed by the worst aspects of the recession such as rising unemployment and high interest rates.

Confidence on the part of the housebuyer and, in turn, of the housebuilder has been dealt a succession of blows over the past two years or so and the distress of the private sector has been surpassed in the public housing field.

At about the 50,000 mark, completions in the public housing sector during 1982 are thought to mark the trough of an uneven but sharp decline which has seen its share of the housing market fall from nearly 50 per cent in 1968 to under 30 per cent.

Modest revival

There are hopes for a modest public sector revival over the medium-term, though neither of the two major political parties has exactly encouraged its growth in recent years and its contribution towards solving Britain's housing problems must be regarded as a diminishing one.

It is the private sector, therefore, which is expected to continue to make the running in terms of new housing output and there are some signs at least that its recent dismal performance is set for a welcome improvement.

Official figures are not yet available but private sector housing starts during 1982 are thought to have reached around 140,000, a reasonable performance when set against the 116,000 starts made in 1981 and the 98,000 total in 1980 but of little merit when compared with earlier achievements.

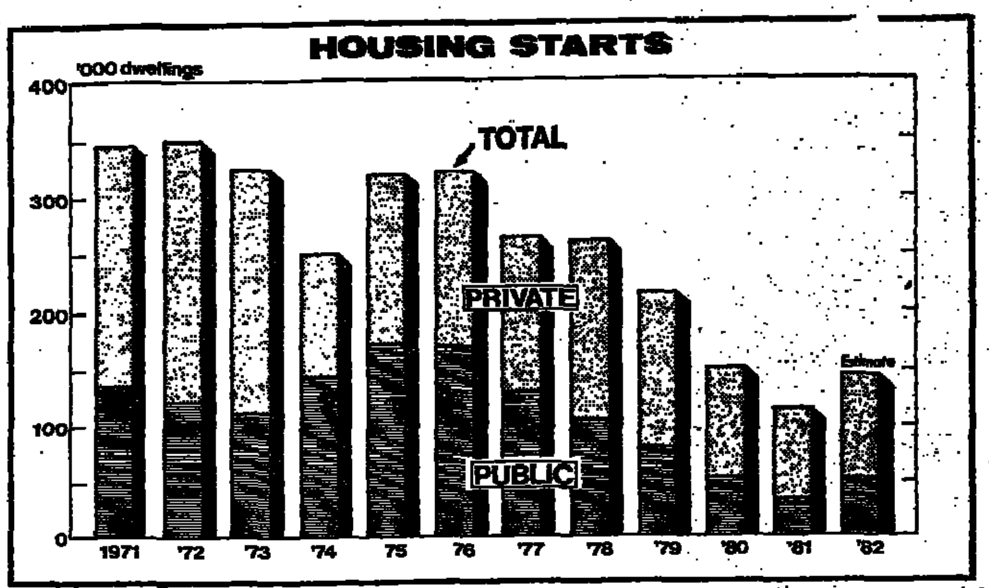
Completions last year reached an estimated 122,000 against 113,000 in the previous 12 months and forecasts for 1983 suggest a big increase to between 145,000 and 150,000. Starts during the same period could rise to around 155,000. The outlook for 1984 indicates further modest improvements in housebuilding output, although the forecasts become increasingly conditional.

In any examination of the likely balance between future housing needs and actual supply, the provision of new homes represents only one factor in the equation, especially during a period when so much emphasis is being put on rehabilitation and modernisation. The old levels of new housing output do not necessarily, therefore, provide a reasonable benchmark for building activity.

There is general agreement, however, that new housing requirements have been altered by the growing trend towards refurbishment of existing stock, although recent output levels have not been anything like high enough.

According to Lloyds Bank, whose recent mortgage market onslaught has left them with more than a passing interest in housing, the number of homes likely to be built in the two years or so will continue to fall well short of potential demand.

The bank points out that about 160,000 net new households are expected to be formed annually over the next decade, the majority of them single households, since there are fewer marriages and more divorces. At present 250,000 homes are shared by families. At the same time, there are nearly 4m other households which are unfit, lacking basic amenities or requiring some degree of renovation.



In the opinion of Lloyds, the infamous "crude housing surplus" of 500,000 homes is largely accounted for by second homes, by those unfit for occupation or by those in areas of high unemployment and internal emigration; as such, they can be heavily discounted.

The bank points out that the sale of council houses has, indeed, satisfied some of the growing demand for owner occupation but it has also reduced the ability of councils to shorten their waiting lists.

It adds: "Unless some way can be found of breathing new life into the declining private rented sector, those who wish to rent rather than buy will continue to move from private to public rented accommodation, including housing association tenures. The rise in public sector rents will, however, cause more households to seek owner-occupation."

Lloyds emphasises that the 1977 housing green paper pointed to an annual demand for 180,000 owner-occupied homes by 1981 and an additional 125,000 public sector homes. The trend towards improvement, it suggests could see that combined total revised downwards to around 240,000, of which about 160,000 might be in the private sector.

Such a requirement, it emphasises, would demand a further 15 per cent increase in annual housing completions over and above what it now sees as likely.

Whether or not those levels can be achieved, there is little doubt that the private housebuilding sector is in a more confident frame of mind.

Mr Andrew Tait, director-general of the National House-Building Council, ended 1982 in a suitably buoyant mood. He said that the private housebuilding sector now represented one industry where prospects were looking up and he expected increasing output to have resulted in an additional 40,000 jobs in the industry by the spring.

The factors behind the fresh optimism are not hard to identify. Demand for owner-occupation shows no signs of wilting and the substantial decline in mortgage rates during 1982, combined with the cheapness of private housing, in relation to incomes, has led to renewed purchasing interest.

Given this revival and the likelihood that it will continue into 1983, the housebuilders seem increasingly prepared to step up their output targets for the trading period ahead.

Larger share

Most of the volume housebuilders are forecasting bigger building programmes this year and it is likely that they will, yet again, claim a larger share of the total market between them.

They can also be expected to pay increasing attention to the first-time buyers' market, to flats and to accommodation for single people. One of the industry's recent successes has been its ability to identify correctly and effectively market the type of housing for which demand, in a generally weaker market, has remained strongest.

The industry has not only built to suit consumers' pockets but has adopted a range of marketing techniques claimed to make purchase easier and cheaper. Whether potential buyers would simply prefer a less expensive purchase price rather than a catalogue of marketing ploys is debatable but there is no doubting that the industry has taken to marketing in a way which other sectors of the construction industry could do well to follow.

Michael Cassell

Developments

Expanding role in financial services

FOR THE last year the big High Street banks and the building societies have been nervously circling each other, searching for the weak links in each other's armour.

The building societies won round one by attacking successfully the clearers' "life-blood"—their stable seven-day deposit base. The banks woke up rather late to what was happening. But in 1981 successfully counter-attacked moving into the home loan market—the traditional preserve of the building societies.

The speed and scale of the banks' move into the home loan market came as a nasty shock to many building societies and for the past year or so they have been wondering whether they should go for the banks' jugular and challenge them on their "home turf" by the provision of money transmission services — arguably one of the few things the banks do rather well.

The Abbey National has announced vague plans to join forces with the Co-operative Bank to offer its customers cheque book facilities plus interest on their accounts. The Leicester Building Society has linked with the UK arm of Citibank, the giant U.S. bank, to offer a credit card. The Nottinghamshire Building Society is working with British Telecom and the Bank of Scotland to provide the UK's first home banking service.

Initiatives

All these initiatives reflect attempts by the building societies to come to terms with one of the fundamental questions they face — should they become more heavily involved in the provision of mainstream money transmission facilities, such as cheque books, standing orders and cash dispensers?

Recent technological advance is likely to lead to a blurring of the distinction between the process of attracting savings deposits and the process of operating a system for money transmission, which has until now been dominated by the High Street banks.

Against this background the key question is: Can the building societies provide a competing money transmission service, or is it better to join forces with the banks?

Earlier this month, the Nationwide and National and Provincial building societies announced that they were linking with Midland and National Westminster Banks, respectively, to offer their 4.5m customers use of the banks' Access credit cards as a way of paying bills and gaining access to other basic banking services.

These two links are the first real sign of how the major building societies and banks plan to face the major challenges of the next decade as their respective market places undergo major change in the way financial services are distributed to customers. With 25m savers the building societies have a far bigger personal customer base than the High Street bank.

Mr Brian Holmes, chief executive of National and Provincial, says that "although banks and building societies are competitors, we do not see any reason why we should not co-operate in certain areas to our mutual advantage.

"Paperless payments are the way of the future and transmission of money is too expensive for building societies to operate on their own," says Mr Holmes whose new Money Management Account is the first step on the road to providing National and Provincial's 1.5m customers with a simple and efficient medium for handling payments.

"The next step must be that people can settle their accounts direct with us via a debit card if they shop in a supermarket. It is all leading that way," says Mr Holmes.

National & Provincial estimates that the average family makes payments to over 20 separate financial institutions, buying more than 30 different financial products. For maximum efficiency and minimum cost, money transactions should be channelled through as few sources as possible. Both Nationwide and National & Provincial believe that providing Access cards to their customers is a first step in achieving this goal.

Mr Horace Fielder, a general manager of the Nationwide, says it seemed that "we should be looking at different ways of trying to make the banking service more freely available to those people who do not have bank accounts."

The Nationwide does not think the Abbey National's cheque book scheme (details of which have still to be revealed) is a good idea. "The banks have a perfectly good cheque clearing operation and we do not want to take it over," says Mr Fielder.

At first glance it is easy to see why Midland and National Westminster favour the link. They gain access to a major new group of potential customers without bank accounts and have a ready market to which they can sell their associated products such as personal loans and insurance.

Just what the building societies get out of the link is less obvious. They provide their customers with access to new services which will help maintain customer loyalty, but beyond that it is far from clear what the real benefits to them are.

It is not inconceivable that at some stage the banks might offer building society customers access to their cash dispensers. Under the two latest moves customers of the Nationwide and National and Provincial can draw money on their Access cards from a nationwide network of cash dispensers (Midland and National Westminster are in the throes of linking their cash dispensers) but they have to pay interest as if they are borrowing money.

The next step is to allow them to draw money directly from their building society account via the Midland/NatWest cash dispenser network.

But before that happens the banks and the building societies are going to have to consider carefully just how they see their future role in the money transmission business. At the beginning of 1983 it is far from clear how the story will unfold.

William Hall

Wide variations between regions

THE AVERAGE price of a home in the United Kingdom rose to £25,530 in the fourth quarter of 1982 according to the latest mortgage statistics published by Nationwide, Britain's third largest building society. A year ago the average price of a home was £23,740, according to the building society.

Nationwide's figures illustrate the deep variations in prices in different parts of the country for similar types of property.

Not surprisingly, the highest prices are paid in the more economically successful South East where the price of an average home in London's commuter belt was £34,510 in the final quarter of last year, 10 per cent higher than at the same stage a year earlier.

Cheapest

By comparison the cheapest region to buy a house is in Yorkshire and Humberside, according to Nationwide, which said that the average price of a home was just over £20,000 at the end of last year.

A breakdown into different types of properties shows even more marked price differences. According to Nationwide, home buyers could expect to pay in excess of £61,000 for a new detached house in Greater London. A similar property in Yorkshire and Humberside might be expected to fetch just under £32,000.

Around the regions the highest price rises recorded last year were in Wales and the North of England where the cost of an average home rose by a surprising 11 per cent compared with an 8 per cent rise nationally. Less surprising was the 10 per cent improvement in parts of the South East.

The depressed West Midlands saw one of the smallest annual increases in house prices, of just 4 per cent (although as in a number of other regions the rate of house price increase in the West Midlands picked up during the fourth quarter of 1982). In Northern Ireland house prices rose on average by only 2 per cent in 1982, reflecting the particular difficulties of that area.

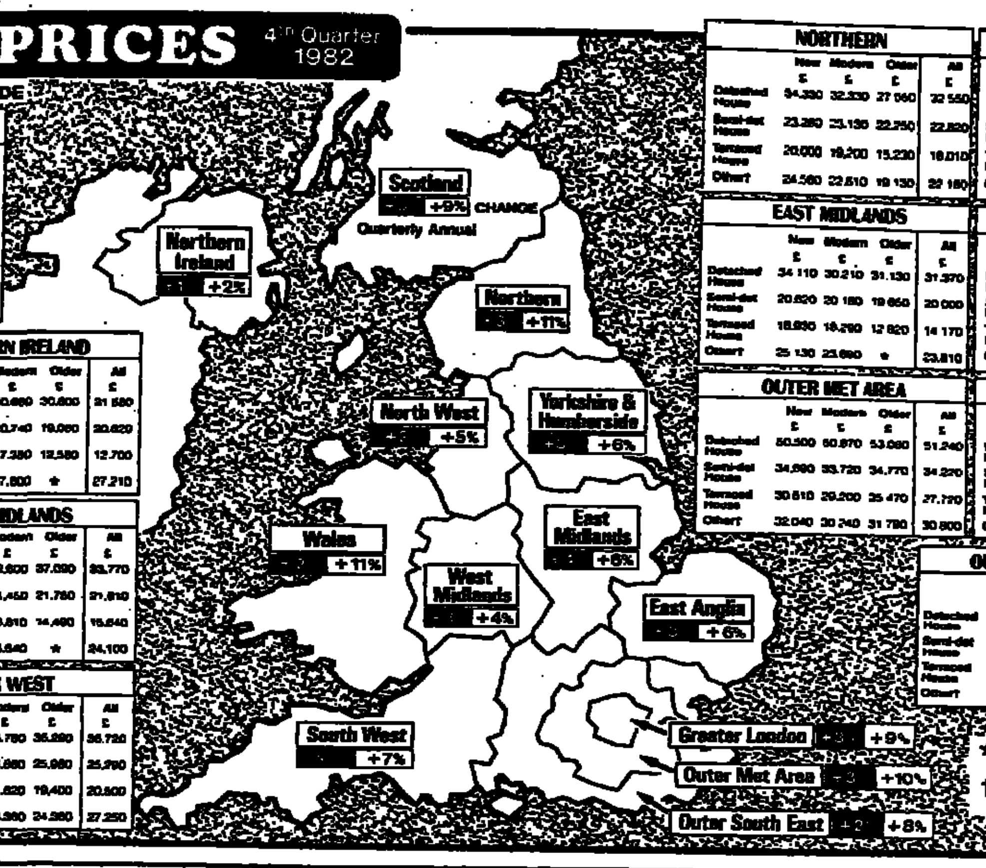
The map and chart provide a breakdown of quarterly and annual price changes around the regions as well as average prices for various types and ages of property compiled from mortgage approvals made by Nationwide, during the final quarter of 1982.

The building society said that during the fourth quarter it made an average advance to borrowers of £18,410 which represented 72 per cent of average purchase price.

Andrew Taylor

UK HOUSE PRICES 4th Quarter 1982

Based on loans approved by NATIONWIDE



UNITED KINGDOM

	New £	Modern £	Older £	All £
Detached House	38,040	36,410	38,000	37,190
Semi-det House	24,980	24,280	26,550	25,300
Terraced House	23,530	23,920	18,810	20,200
Other†	28,110	26,610	24,410	25,940

SCOTLAND

	New £	Modern £	Older £	All £
Detached House	41,940	34,180	31,770	35,620
Semi-det House	27,460	26,100	26,840	26,900
Terraced House	23,510	26,880	24,280	24,050
Other†	32,000	27,040	19,820	28,050

NORTHERN IRELAND

	New £	Modern £	Older £	All £
Detached House	34,870	30,660	30,600	31,580
Semi-det House	22,810	20,740	19,080	20,620
Terraced House	*	17,350	12,580	12,700
Other†	27,390	27,800	*	27,210

NORTH WEST

	New £	Modern £	Older £	All £
Detached House	36,100	33,350	35,260	34,550
Semi-det House	24,250	22,170	22,280	22,570
Terraced House	*	15,910	14,070	14,750
Other†	27,940	25,580	25,320	26,920

WEST MIDLANDS

	New £	Modern £	Older £	All £
Detached House	34,010	32,600	37,090	33,770
Semi-det House	22,030	21,450	21,780	21,810
Terraced House	*	18,810	14,460	15,640
Other†	27,480	23,640	*	24,100

WALES

	New £	Modern £	Older £	All £
Detached House	33,460	33,730	33,130	33,500
Semi-det House	23,770	21,540	21,700	21,780
Terraced House	19,270	20,970	15,440	17,070
Other†	24,540	24,430	*	24,140

SOUTH WEST

	New £	Modern £	Older £	All £
Detached House	38,390	36,780	35,290	36,720
Semi-det House	26,290	24,880	25,980	25,290
Terraced House	22,410	21,620	19,400	20,500
Other†	28,980	28,380	24,580	27,250

NORTHERN

	New £	Modern £	Older £	All £
Detached House	34,330	32,330	27,060	32,550
Semi-det House	23,280	23,130	22,250	22,820
Terraced House	20,000	19,200	15,230	18,010
Other†	24,580	22,610	19,130	22,180

YORKSHIRE & HUMBERSIDE

	New £	Modern £	Older £	All £
Detached House	31,900	30,420	32,980	31,220
Semi-det House	21,380	20,580	20,380	20,540
Terraced House	17,870	17,750	13,660	14,300
Other†	26,230	23,950	*	24,780

EAST MIDLANDS

	New £	Modern £	Older £	All £
Detached House	34,110	30,210	31,130	31,370
Semi-det House	20,620	20,180	19,650	20,000
Terraced House	18,830	16,290	12,620	14,170
Other†	25,130	23,690	*	23,810

EAST ANGLIA

	New £	Modern £	Older £	All £
Detached House	35,720	34,980	35,720	35,330
Semi-det House	22,890	22,700	25,380	23,670
Terraced House	22,100	21,980	17,570	19,230
Other†	24,170	25,380	27,380	25,620

OUTER MET AREA

	New £	Modern £	Older £	All £
Detached House	50,500	50,870	53,080	51,240
Semi-det House	34,690	33,720	34,770	34,220
Terraced House	30,610	29,200	25,470	27,720
Other†	32,040	30,240	31,790	30,800

GREATER LONDON

	New £	Modern £	Older £	All £
Detached House	61,860	58,380	63,630	66,250
Semi-det House	*	30,820	39,110	37,970
Terraced House	36,390	36,220	30,880	31,480
Other†	29,550	28,430	28,320	28,930

OUTER SOUTH EAST

	New £	Modern £	Older £	All £
Detached House	42,430	39,480	38,180	39,980
Semi-det House	27,830	27,330	28,100	27,670
Terraced House	26,810	24,980	21,440	23,070
Other†	29,610	29,400	25,290	27,540

★ INSUFFICIENT SAMPLE

† OTHER PROPERTIES ARE BUNGALOWS, FLATS AND MAISONETTES

NOTES

Average prices all types of homes fourth quarter 1982

UK	£25,530
Scotland	£25,480
Northern Ireland	£22,180
North West	£21,540
West Midlands	£22,740
Wales	£22,060
South West	£25,930
Northern	£21,000
Yorks and Humberside	£20,080
East Anglia	£25,740
East Midlands	£21,150
Greater London	£31,980
Outer South East	£28,410
Outer Met. Area	£34,510

Sellers starting to fare better

HOUSE PRICES are at last edging up again having been stuck in reverse or neutral gear for much of the past two years. There is little danger however that rising prices in 1983 will lead to the market overheating.

Few observers of the British housing scene (apart from over-optimistic estate agents) are expecting a boom in house prices this year, although a number of important economic indicators would appear to suggest that a sharp rise in house prices is long overdue.

Slowly returning confidence to the housing market — boosted by the recent falls in mortgage interest rates — will continue to be tempered by concern over rising unemployment, restricted earnings growth potential and the general state of the British economy.

It would appear that there are several economic forces pulling the housing market in opposite directions at the same time.

Mostly, forces have been working in favour of the buyer. House prices in relation to earnings have seldom been cheaper during the past ten years. There has been a plentiful supply of finance to meet record demands for home loans while the cost of building society mortgages has fallen five percentage points in the past year. There remains a wide and varied choice of properties on the market.

For the prospective seller of a home, life has been tougher during the past 18 months. Many home owners have been forced to lower their asking prices to achieve sales in an extremely difficult market. But some of the factors which have assisted buyers are now starting to work in favour of sellers.

The relative cheapness of house prices has encouraged near-record sales in many parts of the country as the huge backlog of properties, which have been put on the market, has steadily been eroded.

One of the paradoxes of the 1982 housing market has been that prices for most of the year have remained generally depressed despite the record demand for home loans from building societies and banks.

Changing climate

The climate in the market, however, is changing. The Royal Institution of Chartered Surveyors in its latest price survey says that although sales remain historically high, the rate at which homes are being put on the market has slowed. About 13 per cent fewer homes were put on the market in the three months to the end of November than in the corresponding period in 1981, says the institution.

Some building society managers have also reported what they believe to be the first signs of a pick-up in prices, which have benefited from a two-fold reduction in mortgage rates in the autumn. The building society base mortgage rate is now 10 per cent compared with 15 per cent at the beginning of 1982.

The first year cost of a £20,000 mortgage over 25 years has therefore reduced from £258 a month at the beginning of 1982 to £183.80 currently. The fall in interest rates is bound to continue to give the housing market a modest fillip.

Figures published recently by Nationwide, the country's third largest building society, indicate that house price increases in the fourth quarter of 1982 were for the first time in many months, outstripping rises in inflation.

According to Nationwide, average national house prices rose by 2½ per cent in the fourth quarter of last year, more than double the rate of increase in the previous three months.

The spurt in prices in the fourth quarter, says Nationwide, has lifted the average house price increase in 1982 to 8 per cent. This is above the annual increase in inflation and about in line with the rise in average earnings for the year, say the building society.

High demand

Mr Cyril English, Nationwide's chief general manager, said: "The demand for mortgages has remained high in spite of the onset of winter. While there are no indications of a boom in house prices, there is certainly increasing evidence of a return to confidence among homebuyers. This is likely to result in a continuation of the present level of house price increases in the early months of 1983."

Anglia Building Society also claims to have seen an improvement in house prices in recent weeks. Mr Peter Moreton, Anglia's chief surveyor, says: "There are already indications of even greater activity in the market in some areas, with modest price rises already being recorded. In my opinion, house prices are due to pick up."

The building society, however, puts the average national increase in house prices during 1982 somewhat lower than Nationwide at between 4 and 6 per cent.

While most building societies would expect a faster rate of growth in house prices during 1983, few, if any societies expect a house price boom. A 10 per cent rise in prices, modestly ahead of projected increases in annual inflation, would appear to be the most popular and realistic forecast of housing trends.

House prices would have to rise sharply this year to make up the ground lost against rises in inflation and annual earnings since the end of the 1970s. According to figures published by Nationwide, house prices have risen by just 16.5 per cent since the fourth quarter of 1979, compared with a 36 per cent rise in inflation and a 42 per cent increase in average earnings.

Nationwide says that the ratio of house prices to earnings remains "historically low" with average house prices just over three times average annual earnings compared with 3.69 times average earnings in the fourth quarter of 1979.

On past performances in the housing market it would appear that a sharp rise in prices is long overdue. The fact that this is unlikely to happen reflects not so much uncertainty about the housing but uncertainty about the general economic future for Britain.

Andrew Taylor

Competition for savings

Banks throttle back on home loans

BY THE MIDDLE of last year, competition between the banks and building societies for borrowing and lending had reached boiling point.

The banks had raised their mortgage advances, net of repayments, by 90 per cent in 1981 and were well on the way towards producing a similarly spectacular performance in 1982. By this time, some of them were also looking to take over from National Savings Certificates as a threat to the *societies' deposits base.*

Barclays Bank had announced the experimental opening of 400 branches on Saturdays—"If banks are to offer retail banking, they should be open during retail hours," said Mr Deryk Vander Weyer, chairman of Barclays Bank UK. The theory was that by opening on Saturday mornings, Barclays would be able to attract new current accounts in large numbers.

Meanwhile, the Co-op Bank had challenged the policy of the Big Four clearing banks by offering interest on current accounts through a finance house subsidiary, although customers would need to maintain an average monthly balance of nearly £200.

The building societies were fighting back. Abbey National was aiming to provide an integrated financial services package for the High Street customer with its plans for a Co-op cleared cheque book. It would pay lower interest on cheque book accounts than on term accounts, the Co-op would gain higher volume in its clearing system and the customer would receive interest on credit balances.

However, early in August Barclays itself decided to halve its rate of lending for home mortgages. It had budgeted, it said, to increase its loan portfolio by £800m a year, but it had almost reached its target half way through 1982. The societies *took a different view: as interest* rates continued to fall, they said, the clearing banks would find it progressively more difficult to maintain profit margins on home loan business.

Lloyds Bank soon followed Barclays' lead and, by the late *autumn* of last year, only National Westminster still seemed to be steaming full ahead in the mortgage market. The next major event was a record two percentage point cut in the building societies' mortgage lending rate to 10 per cent, announced in mid-November, which the clearing banks were quick to follow. Given that this made the operation much less interesting for the banks in terms of profit, *however, the* question then was what was likely to happen in 1983.

Question

Mr Christopher Johnson, group economic adviser at Lloyds Bank, came up with his answer in the bank's economic bulletin early in December. In *1982, he estimated, the bank's* share of outstanding mortgage debt would have risen by 75 per cent, to one-third of the £13bn flow of new advances net of repayments.

In 1983, he forecast, the banks' share of new business *could fall back to nearer a fifth.* He accepted what both the banks and the building societies had been saying earlier: "They (the banks) have in most cases reached their targets sooner than expected," he said. "Build*ing societies are in a better posi*tion to attract deposits at a time of low interest rates, and are competing harder on the advances side."

Yet the fact is that Lloyds' projections for 1983, if fulfilled, would represent a formidable *banking commitment to the* home loans market at a time when it was unattractive. In October, observers were saying that a 1½ point cut, rather than the two points which eventually transpired, would leave the banks' mortgage business operating on the edge of profitability.

The banks had higher operational and managerial expenses; societies did not have expensive money transmission services, and did benefit from tax advantages not enjoyed by the banks, although these were not so important as they once were. Despite this, the bulletin's projections involve the banks raising their lending commitment by 30 per cent in 1983 against a 19 per cent increase for the home loans sector as a whole.

Mr Johnson underlined this point, and its implications. "The banks will nevertheless have more than quadrupled their outstanding mortgage advances in only three years," he said, "and clearly intend to remain a major force in the market, even if their share fluctuates with changing monetary conditions."

In the meantime, there must be a temptation for building society staff to sit back and take it easy, while they are taking the money and the bulk of the lending business. This is *exactly what Mr Clive Thorn*ton, chief general manager of the Abbey Building Society, is afraid of. "It is very sad," he says, "that the banks are pulling out in the lending area and that the pressure is off from National Savings at the other end." "Building societies," he maintains, "badly needed to be shaken from top to bottom by the blast of competition."

Taking the long-term view, he reckons, building societies would have done themselves a lot of good if they had still had to go out and win the money, and the borrowers. For a chief executive who wanted to change things, he says, life was made easier by the predatory lending of the banks and the similarly predatory pricing (in terms of offered interest rates) employed by National Savings until the spring of 1982.

Like others in the industry, Mr Thornton thinks it unlikely that the banks could have kept going at their peak lending rates, when they were taking *over 40 per cent of the market.* It might have suited him, one feels, if they had kept going a little longer. On the deposits side he notes that National Savings intend to remain a source of government funding: "I welcome that," he says.

Receipts

Malcolm Hughes, assistant *general manager for market* planning at Nationwide, says at the time of writing that in December the industry should have taken £490m of net receipts—an all-time record for the month and 2½ times what it brought in during the same month last year.

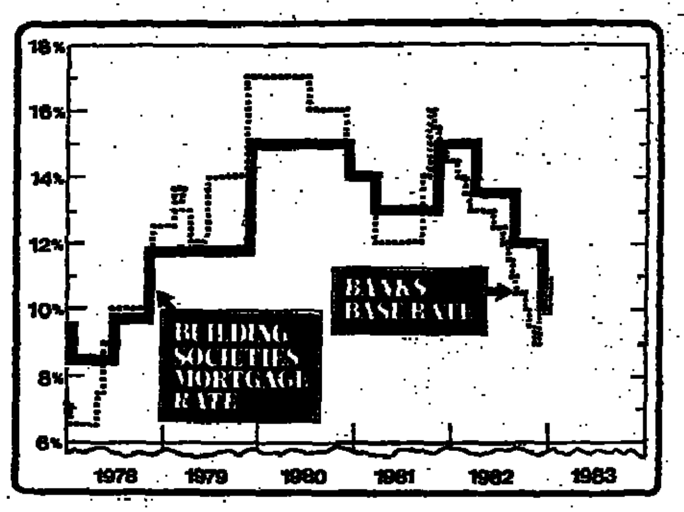
"Industry receipts," he says, "have been going up like a lift since National Savings and bank competition began to fall away at the end of March."

Mr Hughes notes that National Savings are now coming back very strongly with advertising expenditure at "unprecedented levels." They are also attacking the building *societies'* strong points—*short* notice or term shares, both extra income accounts—with competitive products, although the competition is nowhere near as fierce terms as the 23rd and 24th issues of certificates at the latter end of 1981-82.

On lending, says Mr Hughes, the competitive pressure from the banks has halved from its peak. But he has two points to make here. First, he says, it is doubtful how much of the banks' "home lending" was actually going into house purchase, and how much simply *released equity for existing* householders to spend elsewhere.

Secondly, he says, the banks always had a proportion of the home-lending market—*9 per* cent in 1979 and 7 per cent in 1980 before it soared in 1981 *and* 1982. "We are, *says* Mr Hughes, returning to a more normal situation."

William Cochrane



'The banks have more than quadrupled their outstanding mortgage advances in only three years and clearly intend to remain a major force even if their share fluctuates with changing monetary conditions'

LENDING BATTLE ON THE HOME LOANS FRONT

Advances by building societies, banks and other institutions (Net of repayments £bn 1981-83)

(Advances in £bn)

	Monetary* sector	Market share %	Increases in outstandings %	Building societies	Market share %	Increases in outstandings %	Others†	Market share %	Increases in outstandings %	Total	Increases in outstandings %
Outstanding end-1980 ...	3.0	6		42.7	82		6.6	12		52.3	
Increase in 1981	2.7	27	90	6.3	64	15	0.8	9	12	9.8	19
Increase in 1982	4.3	33	75	7.5	58	15	1.2	9	16	13.0	21
Increase in 1983	3.0	21	30	10.0	70	18	1.3	9	15	14.3	19
Outstanding end-1983 ...	13.0	15		66.5	74		9.9	11		89.4	

1982: Estimate based on first nine months. 1983: Lloyds Bank forecast.

* Banks and TSB. † Local authorities, insurance companies, etc.

PROFILE: HERBERT WALDEN

Movement's next chairman

HERBERT WALDEN is poised to make the giant leap from general manager of a *provincial building society* with asets of £220m to becoming principal spokesman for an industry with assets of over £54bn.

It is a step which Mr Walden, who in May starts a two-year term as chairman of the Building Societies Association, contemplates with a suitable blend of enthusiasm and caution.

For his time at the top will coincide with a period which may prove critical to the building societies' progress and during which many important decisions will have to be made.

Mr Walden, who is general manager of the Warwick-based Heart of England Building Society, believes the *societies* have held their heads up high during recent battles to fend off competitors in the savings and mortgage markets. He has no doubts about their ability to continue to defend their corner.

Mr Herbert Walden—contemplates job with suitable blend of enthusiasm and caution

Service

"I am *not inclined* to criticise our competitors too much and am far more interested in ensuring that we continue to beat them. I would accept that our supremacy in the mortgage market led to a certain amount of *complacency but the societies* learned their lessons quickly and have responded to meet the challenge."

Mr Walden feels that, over a period, the societies will prove themselves to be the best available option both in *the all-round service provided* and the terms they offer to the public.

Despite his reluctance to criticise competitors, the next BSA chairman says he awaits with interest some indication of how the banks will treat *borrowers who fall on* hard times and into arrears. The societies, he suggests, have a *history of social commitment* which has led to the sympathetic treatment of customers in difficulty; the banks have yet to prove themselves anywhere near as "understanding."

Although Mr Walden believes the societies should resist calls to turn themselves into financial supermarkets and *should continue to concen*trate on housing and housing-related areas, he accepts there is plenty of room for expanding the societies' existing role.

"I am on the side of those who say we should stick to the job we know best, the job we have *done for over* 200 years. But we would be foolish not to examine every opportunity to see what additional services we can provide for our members, without trying to become banks.

"However we develop and expand our *present* operations, I believe such activities should remain peripheral to our central role, that of providing mortgage finance and a good home *for* personal savings."

How far the societies will *be able to develop their role* will depend to a large extent on the scope afforded them in any new legislation which is proposed. The prospect of a new Act of Parliament *for* building societies is the subject of detailed consideration *and lengthy debate within the* industry, which is anxious to gain new freedoms without having to surrender some of its existing independence.

According to Mr Walden "The rules governing our operations have not been *changed significantly since* Victorian times and the societies will be able to do quite a lot more if we get the right legislation.

"There is tremendous scope for updating the constitutional and operational side of the business and the societies want increased powers to enable them to expand their *traditional activities, most* notably into the direct provision of housing.

"Not all societies will want to follow the same path but we believe that enabling legislation to pursue a more direct building role is overdue. Even given the go-ahead, most societies would only want to make available a limited proportion of their funds for such purposes, but the opportunity should be provided for *those who want to participate.*

"The power to hold land for housing development could be a major step forward in inner city regeneration and urban renewal and would re*place the tortuous route which* societies now have to follow if they wish to give help in this direction.

"If we could, additionally, and *to a limited* degree, hold property for letting—with an appropriate assurance from politicians that rent controls would not make schemes unviable—we could offer young couples the chance to take short tenancies while saving *for their first purchase.* Societies would only be looking for a reasonable return on their *capital and would be develop*ing a relationship with future borrowers."

Mr Walden accepts that there are wide views about *the advisability of seeking* new legislation. "I suppose it is the fear of the unknown; not knowing what the legislators will demand for granting new freedoms. But it is silly to think that we can simply demand what we want with*out anything being expected* in return."

A major concern is the likelihood of enabling legislation being used by government to direct societies to allocate a stated proportion of their funds for particular types of *activity. The societies* have, for example, come under considerable pressure to lend *increasing* amounts under the local authority support scheme and so help fill the gap left by reductions in public spending.

But whatever difficulties and challenges lie ahead, Mr Walden has an appropriate faith in the *ability of* the societies to thrive: "Despite what vociferous critics say from time to time, the industry has built up tremendous good will and loyalty among millions of people. I believe we can develop our service in the savings and housing field to retain and even enhance that loyalty and trust."

Michael Cassell

مكنا من الأصل

Inner Cities

Passive support is turned into action

PRESENT HOUSING stock "is deteriorating at a pace and to a degree which will put an intolerable social and economic burden on future generations if this decline cannot be checked."

Preceded by riots in Toxteth, Brixton and elsewhere, these remarks—one of the conclusions drawn in an independent report* sponsored by the Abbey National Building Society and published a year ago—have been followed by evidence of increasing awareness on the part of building societies of their social responsibilities in an era of urban decline.

It is not that they were blind to the problems before. In mid-1980 Sir Raymond Potter, chairman of the Halifax, noted: "The Society has also played an active role in the rehabilitation of houses in inner urban areas, although of necessity this role has been limited by the funds available."

However, the degree and quality of the societies' involvement in the area has clearly improved since the Financial Institutions Group (FIG) was established by the then Environment Secretary, Mr Michael Heseltine, after the inner city disturbances in the summer of 1981.

Last October Mr Cyril English, chief general manager of Nationwide (which already had a reputation for positive action on inner cities) promised active rather than passive support for improving and increasing housing, and regenerating the inner city.

Nationwide had set up a separate company—Nationwide Housing Trust—to promote the role of the private sector in raising the UK's housing standards and showed its commitment by appointing Mr Tim Melville-Ross, already responsible for the society's finance division, to head NHT.

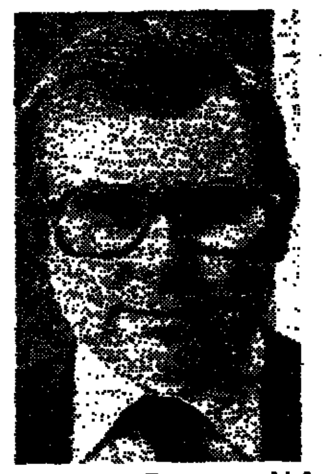
Commitment

Mr Melville-Ross has already argued Nationwide's financial commitment to NHT up to £30m a year; he accepts that this does not seem a lot when the society is lending up to £150m a month, but points out that the £150m figure includes a fair proportion for inner city projects of one sort or another which do not come within NHT's brief.

He sees three main areas for NHT's inner city activities. First, pump-priming: schemes which need a small input of public funds to "tee them off" and could be developed partly for outright sale and partly for a shared ownership market. "These are the schemes which normally don't get developed because they are too marginal" he says.

Sir Raymond Potter, chairman of the Halifax: "The society has always played an active role although this has been limited by the funds available"

Mr Cyril English, chief general manager of Nationwide: last October he promised more support for improving and increasing housing, and regenerating the inner city



Mr Clive Thornton, chief general manager of Abbey: "In 1979 the society earmarked £10m on six areas. Last year improvements of property of all kinds will top £100m"

Next there is homesteading, where properties which are run down but structurally sound are sold off at very low prices to first time buyers—"with substantial grants for improvement which young enthusiasts can carry out themselves." Thirdly there is an agency service under which a local authority sets up the office in an improvement area, staffed by the local authority and the building society, to advise on improvement of existing properties.

Mr Melville-Ross pays tribute to the pioneering efforts of the Abbey in this field. Abbey's chief general manager, Mr Clive Thornton, notes that of the 270 "housing action areas" declared as subjects for suitable treatment since 1977, Abbey has arrangements with 250.

These arrangements, which could involve as many as 100,000 properties in those 250 areas, commit Abbey to put money against grant aid in every case. "In these circumstances," says Mr Thornton, "figures are now meaningless."

For the record, however, he notes that in 1979 the Abbey earmarked £10m on six areas; last year improvement of property of all kinds will have topped £100m.

More relevant, he reckons, is that only 3 per cent of the money spent on new properties each year is spent in the inner cities. Abbey, in every action area, has written to every householder and offered finance. "The take-up averages about 14 per cent," says Mr Thornton, "is as high as 37 per cent in some areas and as low as 3 per cent in others."

Since 1977 all Abbey branch managers have been required to report on the housing conditions in their areas as well as on investment and lending, and with particular reference to housing action areas. A whole new central office division, the Urban Regeneration Unit, has been built up to co-ordinate action area involvement.

In the regeneration process itself, it may well be that the commitment of human effort may be more important than the initial allocation of funds. It is when an area has upgraded itself that the real buying starts.

* *Housing Action, compiled by Sandy McLachlan.*

William Cochrane

Mr Michael Heseltine who, when Secretary of State for the Environment, started schemes for the improvement of inner cities

Europe

Housebuying habit on the increase

IN MOST countries housing finance is very much the preserve of the local lending institution. Non-domestic mortgage business is modest in the U.S. and Europe, and pretty well unknown in Japan. A number of U.S. banks entered the UK housing loan market in the late 1970s, but their penetration has been limited.

By the same token, cross-border activity is equally rare, held in check by all sorts of factors. Two of these have an especially negative effect. The diversity of lending systems from one country to another is very broad: and financial technology — so rampant in retail banking areas generally— remains curiously pedestrian world-wide at the level of housing finance.

There are, however, a number of common threads. Mortgage lending tends to operate on a remarkably similar business cycle in all developed countries, swinging from feasts to famine: when demand is high it invariably receives a big boost from some sort of fiscal incentive: and in just about every instance borrowers are attracted by the "value" of the deal they strike.

Over the past couple of decades, demand for housing finance has grown rapidly, for the most part stimulated by the preservation of real asset values. For long periods, borrowers have taken advantage of long-term loans at nominal or negative interest rates. Coupled with tax incentives, the mortgage investment "opportunity" has been an international phenomenon.

The fiscal advantages associated with housing finance vary widely from country to country. The tax deductibility that operates in the UK has some imitators, but is by no means universal. Some mortgage borrowers face simple exemptions, like stamp duty. Others escape capital gains tax, while many face exemption from income tax on the imputed rent income from owner-occupied housing.

Incentives

As levels of owner occupation have risen so fiscal incentives have tended to become less obvious. The UK example of a gradually deteriorating incentive is mirrored in many parts of Europe. In Sweden, full tax deductibility has recently been replaced by a system of tax credits whereby interest deductions are limited to a maximum of interest outlays.

The future of tax deductibility worldwide, or at least in those parts of the financially sophisticated world where mortgage finance is of pressing interest — has over the past decade begun to edge into the political area. In the UK, the theoretical argument that tax deductibility for mortgages is politically unacceptable to pure free market economic theories, overhangs the housing finance industry.

While it is probably politically impossible for any UK Government to move towards the abolition of tax deductibility at present, industry realises that the practice may be allowed to wither on the vine if Governments simply fail to raise the level of deductibility in line with inflation.

A similar situation applies in the U.S., the other major area for mortgage finance. President Reagan has never suggested interfering with the principles of taxation in the field, and is unlikely to do so.

Ine one respect, however, the U.S. housing market corresponds more nearly to European markets than to those of the UK, and that is in the continuing strength of the private rental sector. This sector, which is still a major source of housing for both working and middle class families in major cities in the U.S., would be likely to oppose attempts to strengthen the principles of tax deductibility, especially at a time of economic recession. For the time being, these questions are in the background; but they could be brought into the foreground over the next five years, with significant implications for cross-border housing finance.

Pressures

The resilience of the private rental market in many Continental countries has meant that demand for housing finance, and therefore the commercial and political pressures to meet it, have been held in check. There are now strong pressures for change in France, where the major banks are extending their mortgage business.

The growth of the private mortgage field in France has yet to drive the private rental industry onto the defensive, however, as it has done in the UK. In addition to the traditional agricultural demand for rentals, which passes over easily from farm land to farm houses and thus to residential financing, there is still not total acceptance of the desirability of housebuying by the new "technological" bourgeoisie of the towns — many of whom voted for a left-wing president at the last elections.

In southern Europe, including Portugal, Spain and the south of Italy, the trend towards house ownership is not yet strong enough to have fathered a healthy private financing industry, and it may be some years before there can be any question of cross border interest.

Purchase of houses by non-nationals is not uncommon, especially in southern Italy, but the financing of such deals is rarely public and is often in cash from the purchaser's own sources.

There have been some signs, however, that the more advanced countries—in terms of mortgage financing—are searching other geographical areas for new sources of finance as their domestic sources run into difficulties.

In the U.S., where the domestic savings and loan industry has been badly battered by the effects of inflation, some major financers have looked at the Eurobond market as a possible source of funds. It has been pointed out that European banks would be better off lending money on houses in Florida than in propping up barren loans to South America or Eastern Europe. However, this newly directed U.S. interest has yet to be translated into business terms, and with the Eurobond market less secure and attractive than it used to be, there seems little likelihood that U.S. housing financers will take any practical steps in this direction in the near future.

Jeffrey Brown

Amalgamations

When merging is the only answer

LAST YEAR, 22 building societies transferred their engagements to other societies, while four more were involved in merging their operations into two nominally new operations.

These figures highlight a trend seen in the building society movement over the past decade or so, that of some building societies deciding to link their future in some manner or other with other building societies.

A number of factors are bringing about these mergings of operations, but there are three dominant factors: inflation, computerisation and competition.

Inflation has sent administration costs soaring over the past decade or so, forcing financial institutions into adopting comprehensive computerisation programmes in order to keep unit costs down. But such programmes require substantial capital investments that can only be justified on a high minimum level of business.

Smaller building societies have found themselves being caught up in this nut-cracker situation between rising administration costs and lack of size to justify computerisation. The only solution left is merging to form larger units.

The other development over the past decade has been the growing competition between building societies for funds. Until about three years ago, the problem facing building societies was to attract sufficient funds for mortgage lending.

AMALGAMATIONS IN 1982

Accrington Savings	and	Cheshire
Advance	„	Darlington
Banner	„	Midshires
Burnley	„	Provincial
City & District Permanent	„	Metrogas
Denton	„	Britannia
Dorking	„	Eastbourne Mutual
Driffield	„	Britannia
Hearts of Oak & Enfield ...	„	Bradford & Bingley
Kilmarnock	„	Northern Rock
Leigh Permanent	„	Cheshire
Liverpool	„	Midshires
Otley	and	Skipton
Over Darwen	„	Britannia
Queen Victoria Street	„	Metrogas
Rye Benefit	„	Eastbourne Mutual
Strathclyde	„	Scottish
Swansea Park Permanent...	„	Bradford & Bingley
Sydenham	„	Mid-Sussex
Target	„	Bradford & Bingley
Wellington (Somerset) & District	„	Britannia
Wigan	„	Cheshire

In addition the Birmingham and Bridgwater Building Society was formed by the union of the Birmingham and Bridgwater societies. Finally on January 1 1983 the North Wilts Ridgeway Building Society was formed through the union of the North Wilts and Ridgeway societies.
Source: BSA.

This competition led to the switch in emphasis to the High Street branch office away from head office. The branch office was in the forefront of the campaign to attract savings, with the competition being not only between building societies but with other savings institutions, such as the clearing banks and National Savings.

The branch, often by simply being where it was and open when consumers needed it, played a vital part in securing a high level of deposits.

Again a branch organisation is expensive to operate and an expansion of the branch network required a high capital outlay with the knowledge that the increased business will justify that outlay. Too often, such an expansion into the well-established area of operation of another building society could not be justified.

The logical and the financial solution has been for two like-minded societies to merge their interests where this can be done beneficially. Up to now, the linking has been between societies with different catchment areas so that the branch network has been extended. But where there has been a duplication of branches in the same town or adjacent towns, the societies have gained by merging the branches..

The competition has resulted in building societies promoting many more advertising campaigns, particularly on TV. A wider branch network enables the cost of those campaigns to be spread over more branches thus making the costs justifiable.

One major merger now going through and coming into effect in April is that of the Anglia with the London and South of England. Anglia itself is the result of several previous mergers, the last one three or four years ago being between Anglia and the then Hastings and Thanet.

Mr Peter Wilkinson, chief general manager of Anglia, states that the benefits of that merger are now coming through. He hopes that the experience gained will help to achieve more quickly benefits from this new merger. The new group will have assets of £3½bn and around 380 branches.

Thus the pressure to merge is being felt at both ends of the building society movement. Small societies are being forced to link up with others because of cost pressures. Larger societies are merging for aggressive reasons in that it is the quickest and most efficient means of growing.

The building society movement has nevertheless been operating under conditions of expansion, despite the fierce competition, and the expansion of the branch network has proved financially justified. But with interest rates in decline, the movement could possibly be entering an era of contraction with even fiercer competition for savings.

In these circumstances, there may not be justification for so many society branches to operate cheek-by-jowl in the High Streets of provincial towns. Under such situations there could be some major societies merging for defensive reasons, namely to rationalise the branch network.

The greatest problem involved in any merger remains the human one of integrating two sets of staff with different salary structures and promotional prospects. Mergers involve the societies in a great deal of relocation and retraining of staff.

Eric Short

All change at Bradford. The new sign for National and Provincial's head office in Bradford, formerly the head office of Provincial Building Society

Shareholder democracy

Small but growing band presses for change

IT IS EASIER to get on the board of a building society than on the board of a company. That is the view of the Building Society Association which represents the majority of Britain's societies. "All you need is to invest a small amount for a short time. It is difficult to see how it could be more democratic," says the BSA.

Most of the societies' 30m members seem uninterested in the question of shareholders' democracy but a growing handful of investors are ready to take on the might of some societies.

The man behind the newly-formed pressure group, the Building Society Members Association, which has just over 100 members, is Mr Christopher Punt. Mr Punt is a 37-year-old Barnstaple solicitor whose views on shareholders' democracy have been formed at the hustings. For Mr Punt last year failed to get on the board of Nationwide Building Society.

Mr Punt has strong views about the election process at building societies. He said that he would like to see "proper elections rather than the farce we have at present." For example, he saw no good reason why nominees of the existing building society's board should be automatically co-opted instead of first standing for election.

He has also voiced concern about proxy votes issued by some societies. "The proxies should be in the same form as for a limited company. The proxy vote should mandate the holder to vote the way the investor wants," he said.

History shows that the chances of an outsider getting a seat on a building society board are not very high. Some 25 years ago Mr Fred Bentley, the general manager of the Halifx, resigned and stood for re-election against the wishes of the board. He was voted back by members.

More recent candidates have been less successful. Mr Paul Twyman, a 39-year-old economist, failed to get elected onto Anglia's board over the past four years. Three months ago Mr Twyman was invited to become a director when Anglia merges with the London and South of England Society in April.

Principles

Mr Twyman said: "I am a very happy man. I think I have achieved something quite useful." He denied that by accepting the board's offer of a directorship he was going against his original principles. "The members got a chance to vote on the board reshuffle which included my appointment," he said.

While the BMSA is interested in the whole area of rights in societies up and down the country, Mr Twyman appears content to be concerned solely with the Anglia. He is pleased, for example, that the board has accepted his recommendation that directors retire at 70 rather than 75.

A small but growing band of investors, however, appear to share Mr Punt's concern. The BMSA, set up 10 months ago, has a membership of over 100 and about 40 people attended the pressure group's inaugural meeting the Saturday before Christmas.

At the meeting the BSMA's constitution was agreed. Its object is to "advance the interests of all building society members by pressing for any necessary changes in the law and building society rules."

Mr Punt said the members had agreed to "scrutinise management expenditure, throw some light on the background of directors and seek election to some building society boards."

Members of the BSMA are also calling for greater accountability. One alleged that the directors' fees of a society to which he belonged worked out at £600 per meeting attended. More generally there was concern that the figures available to the public were insufficient.

Balance

Mr Punt said: "The only figures available to members don't detail in a satisfactory way the costs of societies." The BSA refuted this claim saying that "societies are obliged to publish annual returns which indicate a lot more than most companies."

The other major issue is the balance of rights between existing shareholders, new investors and borrowers. In the past when building societies were small local institutions, there was little need to consider the separate interests of savers and borrowers since over time these tended to be the same people.

Now, however, investors and savers of one society do not necessarily borrow money from the same society. In addition, the increasingly competitive nature of the savings market has forced societies to spend high sums on business development and marketing.

Although the BMSA has no fixed answer to this question of satisfying conflicting interests, it feels that the dilemma should be brought to the attention of boards, which should be seen to be reconciling the various groups.

The Government appears to share this concern. In May, the Chancellor said: "At present it is the investors who in general have the vote. But it is the staff and the borrowers who are locked into the society in a way in which investing members generally are not. And changes should reflect this."

Rosemary Burr